Outside managers for short-term problems



Tomorrow dawns Why the Punto may be Fiat's turning point





Sumner Redstone Why MTV is music to Grumpy's ears

FINANCIAL TIMES

MONDAY AUGUST 9, 1993

Palestinians face split over Middle East peace talks



of the Palestinian delega tion to the flagging Arab-Israeli peace talks flew to Tunis. base of the Palestine Liberation Organisation, and were reportedly tendering their resignations to PLO leader Yassir Arafat (left). The move comes after differences with PLO

leaders on how best to conduct talks with Israel and has re-ignited debate in Israel about whether the Jerusalem government should open official contacts with the PLO. Page 12

US soldiers die in ambush: President Bill Clinton promised "appropriate action" against those responsible after four US soldiers died in a landmine ambush in Mogadishu, the Somali capital. Page 12

Floods in Japan kill 41: Heavy rain in southern Japan caused floods and mudslides which have left 41 people dead and 22 missing. Picture, Page 4

French retailers faiter: Galeries Lafavette. La Redoute and a number of other French retail groups have announced falls in first-half sales,

highlighting the sector's depressed state. Page 13 Virgin defies French trading law: British leisure group Virgio opened its megastore on the Champs Elysées in Paris to Sunday shoppers. even though it meant incurring a FFrim (£114,000)

Air Canada reported its first profitable quarter in almost two years, heiped by a C\$46m (U\$\$35.7m) fuel tax rebate. The June quarter net profit was C\$14m against a loss of C\$129m a year earlier. Page 15; Swissair results, Page 15

Russia asks for UN help: Russia and the Central Asian republics have asked the United Nations to send observers to the Tajik-Afghan border in an attempt to end Afghan attacks. Page 3

China seeks 10.5% inflation: China's annual inflation rate could slow to 10.5 per cent if the country's macro-economic control measures proved effective, a government analyst said. Page 4

Extra maternity benefits may cost £60m: British employers could face extra costs of up to 650m (\$89m) a year because the government will not offset the costs of hringing UK maternity benefits into line with EC requirements. Page 5

Nynex signs deal with BT: Nynex, US-owned cahie operator, has signed an inter-connection with British Telecommunications. Until now. US cable operators have relied exclusively on Mercury to carry international calls originating from their local networks. Page 5

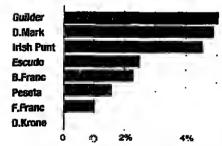
Earthquake hits Guam: An earthquake measuring 8.1 on the Richter scale - the most powerful recorded for four years - injured 48 people in the Pacific island of Guam.

Aircraft crashes in Stockholm: A Swedish military aircraft crashed during an air display in the centre of Stockholm and landed in woodland oext to a densely populated suburb. The pilot ejected and there were no casualties.

European Monetary System: Most ERM currencies can now operate in fluctuation bands of up to 15 per cent, but one week after the the introduction of the new rules, all the currencies are within 6 percentage points of one another in the ERM grid. The French franc is nearly 4 percentage points weaker than the D-Mark, well outside its former fluctuation hand of 2.25 per cent. Currencies. Page 23

August 6, 1993

6%



The chart shows the member currencies of the exchange rate mechanism measured ogainst the weakest currency in the system. After the reformation of the exchange rate mechanism on August 2, 1993. one member currency can rise against another by as much as 15 percentage points in the system's grid. The sole exception is the divergence between the D-Mork and the Dutch guilder, which remain tied to each other in a 2.25 per cent band.

Belarus seeks currency union: Belarus, having seen its surrogate currency tumble after the Russian central bank's withdrawal of pre-1993 banknotes, is trying to tie its economic survival to a new currency union with Russia. Page 3

Italian troops fight fires: A tourist was killed and hundreds of people fled forest fires on Sardinia as troops were deployed to put out hlazes on the island and elsewhere in Italy.

"Red chip' flotation: Fortune Oil. a company partly under Chinese state ownership created to capitalise on the rising stream of oil imports into China, is to be floated on the Loodon Stock exchange, Page 13; The listing of the first 'red chip' company, Page 14

Austra	Sch30	Germany	DM3.30	Maka	Lm(L60)	S.Arabia	\$ R 11
Charteter	Det 1.250	Graece	Dr300	Morocco	MDh13	Singapore	S\$4.10
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Belgium				Noeta	Noira45	Soveral	SLT220
Bulgaria	Lv/25.00					South Aire	m A12.00
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Finland		Lebanch				Turkey	L8000
France	FF _f 9 00	Шок	LH65	Center	QR12.00	UAE	Dh11.00

Bi-partisan approach with Republicans needed for future legislation | Major

Clinton seeks deal with Congress

tant pieces of legislation due to be presented to Congress.

"I think that in the process of governing a president has to work with the Congress to put together majority support for a package of changes that can pass," Mr Al Gore, the vice-presi-

dent, said yesterday.

Mr Gore said he had repeatedly reached out to his Republican opponents during the early months of the administration hut had been rebuffed. However, he said: "In order to address the

By Laura Silber in Geneva

and Gillian Tett in London

stranglehold on Sarajevo.

Mate Boban

ident added

worthiess".

BOSNIA'S president Alija

izetbegovic yesterday warned

peace talks would collapse unless

Nato launched air strikes against

Serh artiliery maintaining a

"I can say if there are no air

strikes, then there is no peace process. No negotiations," he said

in an interview on the eve of

scheduled talks with Bosnian

Serb leader Mr Radovan Karadzic

and his Croat counterpart Mr

"But I think we have never

been closer [to air strikes] than

now. It must be within two or

three days, if the talks are to

continue." Bosnia's Moslem pres-

He said air strikes were a cru-

cial test that would add weight to

the negotlations; without Inter-

vention, he dismissed the talks as

However, Nato officials indi-

cated Mr Izethegovic's appeal was

likely to receive a cool response

when Nato ambassadors met

today in Brussels to discuss pos-

sihle air strikes. Nato did not

intend the Bosnian Moslems to

use the hope of military interven-

tion as an excuse for stalling the

Today's meeting is expected to

agree on logistics for any future

air strikes, out of a list of options

finalised by the Nato military

committee in Brussels at the

talks, an official said.

Air strikes vital

for Bosnia talks

says Izetbegovic

any action.

important challenges we face now we have got to try and cre-

ate a hi-partisan approach."

The loss of just one more vote package and deal a lasting hlow to his presidency.

All Republicans in both houses

voted against the hudget hill. But Mr Boh Dole, the Senate minority leader, said yesterday he had telephoned Mr Clinton to congratulate him on his hudget victory and to suggest that there were other issues ahead on which

the allies were unlikely to

authorise air strikes today, with

significant differences remaining

about the scope and timing of

Bosnian Serh leaders, in an

apparent attempt to stall the

threat of Nato military action.

yesterday reiterated their offer to

withdraw from strategic heights

overlooking Sarejevo. Last night

General Ratko Mladic, Serh mili-

tary commander, announced he

had reached agreement with UN

forces that would lead to a

phased withdrawal of his troops

Mr Izethegovic repeated his

threat to hoycott the peace talks

if Bosnian Serb forces refused to

withdraw. He said Sarajevo would "never fali" to Gen Mladic.

They cannot enter the city.

Every street is defended, every

In sharp criticism of western

policy, he singled out the UK for

undermining his government

from the mountains.

house.

White House starts to ponde the price of victory Editorial comment Page 11

E Lex Bond market

they could work together.
He appeared to soften the
Rapublican position on the possi-

Page 12

Page 16

But he also stressed that It would be a mistake for liberal

Democrats to believe they could raise taxes and then come back later this year and demand Republican support for additional spending cuts. "That's not going to happen", he said.

Mr Gore said he had always

heen confident of victory and claimed people would now begin to see the benefits of the hill after all the disinformation and misrepresentation of the past weeks. Controversy had been inevitable, he declared, because the administration was trying to change the course of the nation hy creating jobs and moving the economy in the right direction after 12 years during which the federal deficit

He promised further spending cuts in the autumn, especially as a result of his own programme to reduce government overheads,

and forecast that long-term interest rates would continue to decline. The tax cuts for small ess would help to create new jobs, he said.

Other members of congress were meanwhile counting the cost of the support they had given to the hudget bill - none more so than Senator Bob Kerrey of Nehraska, who kept Mr Clinton and the nation in suspense until the last minute hefore announcing he would vote "yes". Asked how the people of Nebraska responded to his deci-sion, he said: "Suffice to say I went to see the movie "The Fugi-

tive" last night". He and other Democrats who appeared to go against the wishes of the majority of their voters are certain to have an uphill battle to

revives 'hard Ecu' proposal

in London and Ariane Genillard

MR JOHN MAJOR, the UK prime minister, yesterday entered the debate over the future of European monetary union by reviving his proposal for a "hard Ecu" currency unit to trade alongside Europe's national currencies.

A spokesman for Mr Major said a proposal for a hard Ecu would be considered as "one of a number of options" for improving economic co-operation in the European Community.

The move appears designed to ensure that the recent turmoil in Europe's exchange rate mechanism does not trigger moves hy an inner core of EC states to create a fast track towards monetary union, with Britain outside.

During negotiations on the Maastricht treaty in 1991, Mr Major linhied strongly for the hard Ecu concept as an alterna-tive route towards European monetary union.

The Idea was rejected hy Britain's EC partners, But last weekend's agreement to widen the fluctuation bands for most ERM currencies has raised strong doubts about whether the current Maastricht plan for Emu remains valid.

There was no reaction to the proposal from European officials yesterday. But the finance ministers of France and Germany, the two countries at the heart of the ERM crisis, reiterated their confidence that the existing timetable for Emu was valid and that the ERM could return to narrow bands in the near future.

Mr Theo Waigel, the German finance minister, told German television that the widening of the ERM bands did not compromise the move to stage two of the Maastricht treaty at the start of 1994, which involves the setting m of a European Monetary Inst tute to act as a model for an EC central hank.

Mr Edmond Alphandery, his French counterpart, commented: People have underestimated the strength of our collective European commitment.

Sir Leon Brittan, the EC vice-president, also warned that some of Britain's EC partners

Continued on Page 12 D-Mark instability, Page 4

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By Roger Matthews in Washington

DEMOCRAT leaders yesterday sought to capitalise on President Bill Clinton's one-vote hudget victory on Friday night hy seeking to establish a hi-partisan approach to the next impor-

among the 535 members of Congress would have been enough to defeat Mr Clinton's economic

The House of Representatives passed the compromise hill. which aims to cut \$496bn from the hudget deficit over the next five years, hy 218-216, and it squeezed through the Senate only on the casting vote of Mr Gore.

hle imposition of higher payroll taxes to pay for an improved

health care programme, another key element in President Clinton's programme. Mr Dole denied telling Mr Clinton that "under no circumstances" would Republicans approve higher charges, but instead "strongly disapproved" of any such proposals. "We have left the door open", he said.

had quadrupled.

Nato officials say allies remain divided on the scope and timing of any action

Sarajevo residents hurry with supplies of precious water through an area where suiper fire is common

over the past 18 months of war. "They had two ways to help. Either directly through interven-However, he refused to say tion or to lift the arms embargo. whether he would back a pro-They did not do anything. Now we are left with our hands tied." posal hy Lord Owen and Mr Thorvald Stoltenberg, the inter-Indicating he had, however, national mediators, which would accepted Bosnia's tri-partite divigive Moslems a minimum 30 per sion, he outlined what he called cent of Bosnian territory. Moshis minimum requirements for a lems comprised the biggest eth-Moslem republic: "A fair map for nic group - 44 per cent of the 4.35m population - in pre-war the Bosnian republic with access to the River Sava and the sea. We

Editorial Comment, Page 11

VW admission over secrets fuels tension with Opel

must have territory covering an

area suitable for 2.5m citizens."

By Christopher Parkes in Frankfurt

THE "helated admission" that Volkswagen employees had had confidential General Motors documents in their possession, and had destroyed them, would be of special interest to criminal inves-tigators, Adam Opel, GM's Ger-man subsidiary, said yesterday. Claims that Opel's allegations of industrial esplonage, by Mr José Ignacio López de Arriortúa, VW's new production director, were part of a campaign to defame the Wolfsburg concern

and Germany had collapsed, It VW's potentially damaging admissions are helieved to be contained in a written statement sent by Mr Lopez to public prose-cutors investigating industrial espiooage suspicions against him and three VW colleagues, also

the investigation, it is apparent at a private house in Wiesbaden. that in a concerted action thousands of pages of highly sensitive data concerning cost structures, manufacturing and future planning were stolen." Opel The US-owned company was

responding to a statement published after a crisis meeting of the VW supervisory hoard in Wolfshurg on Friday, which restated its "unaltered support" for Mr López, former global purchas-

The 20 hoard memhers, who appoint and oversee the work of group executives, declared that a thorough examination of evi-dence from Mr López had shown nothing to warrant charges of

industrial espionage. However, the statement said possibly sensitive information had been destroyed by former GM employees, working for VW since March in the group's official guesthouse in Wolfshurg and

The documents had been destroyed to avoid any danger of their circulating inside VW, the statement said. "No possibly secret documents left the possession of former GM employees and came into the possession of VW."

Opel retorted yesterday that the information was technically and legally in VW hands. The attempt to suggest it was shredded in the interests of Opel was an untenable attempt to conceal the possession of a competitor's secrets, the company added.
The VW meeting on Friday was

called unexpectedly following a what had been a period of mounting tension hetween members of the supervisory board, some whom had complained that they were not being kept up to date with developments in the

Spying controversy, Page 2 VW versus old school, Page 28

former GM employees. "Based on the present status of CONTENTS

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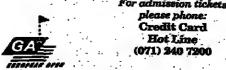
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White House starts to ponder price of victory

NO ISSUE was more central to Bill Clinton's campaign to become president of the US than the management of the economy, and nothing contributed more to the defeat of George Bush last November. It is against that background that Thurs-

day night's cliff-hanging vote in the House of Representatives on President Clinton's deficit-reduction budget bill, and the scarcely less dramstic vote in the Senate the following day, have to be seen. To have lost those votes, despite a Democrat majority in both bouses, would not just have struck at the core of Mr Clinton's legislative programme, but would hava also raised the most serious doubts about his ability to work successfully with Con-

The wave of relief that swept through

Friday, when the Senate finally gave Mr Clinton his bill after a week of frantic lobbying, was therefore all too understandable. A victory was all that mattered, even though in the event It was by just two votes in the House of Representatives and the tie-breaking vote of Vice President Al Gore in the Senate.

How large a political price Mr Clinton had to pay for that victory, both in the country at large and on Capitol Hill in particular, and the lessons be had gleaned from it, are likely to have a decisive bearing on the remainder of his presidency.

The learning curva for the relativaly young Mr Clinton and his staff at the White House was always likely to be a sharp one, and at the weekend the debete was already well under way about how the presentation and compromises struck on the budget legislation could have been better handled. Somewhere in the course of

the past five months, it is clear that the White House lost its ability to define the budget as offering a stimulus which would create jobs, and allowed the Republicans to present it instead as essentially a taxraising exercise which would hit the living standards of middle-income Amaricans. in part that was because Mr Clinton had

to sacrifice important parts of the original hill It did become essentially a budget-deflcit reduction exercise, something that was not easy to sell politically, not least because the impact of the revenue-raising measures was felt immediately - even retroactively in the case of some income-tax increases - while the bulk of the cost-cutting will not occur until later in Mr Clin-

But he also failed fully to get across the message that the tax changes, apart from the increase in gasoline tax, fell predominantly on the wealthiest and that there

were positiva benefits for many Americans on lower incomes. The repeated if unfair assertion by Republicans led by Mr Bob Dole, the Senate minority leader, that this was the biggest tax increase in US history, bit home. As public opinion polls demon-strated last week, Mr Clinton was never able to undo the damage.

Neither was the president able to dem-onstrate that be enjoyed the full support of the party he leads. Long-time observers of Congress assert that rarely before has there been such a collection of individualists on Capitol Hill who so readily put personal and local interests ahead of those of country and party. Add to that the loss of ability that modern presidents are said suffer in enforcing party discipline, and Mr Clinton's problems last week become clearer. Faced by unanimous Republican opposition in both bouses, all his lobbying time was consumed in attempting to whip

recalcitrant Democrats into line. For the optimists, the worst is now over. They argued yesterday that the budget bill was always likely to be the hardest piece of legislation to force through Congress, simply because it broke new ground by reversing the trend of the past 12 years. Even if its effect on the economy will be much less beneficial that its proponents would have the public believe, a start has en made. This in turn opens the door for the other key parts of the Clinton pro-gramme, such as the overhaul of the health care, changes to the welfare system, the passing of the North American Free Trade Agreement and Mr Gore's proposals for "re-inventing government", all of which are capable of attracting greater bipartisan support than was achieved during the budget debate. Mr Dole has already stressed that Republicans want to be "part

of the action".

thet a number of Republicans are attracted by aspects of the work being done by the team headed by Ms Hillary Rodham Clinton on health care, although once again the critical issue will be on how the reforms are to be paid for Republican leaders said yesterday they hoped that the administration had learned its lesson during the budget battle and now understood that the public would not tol-

erate any further tax increases.

Certainly, Mr Clinton once again has everything to play for. His political standing in the country may not have been much enhanced by his budget victory, but neither has it been seriously tarnished. One thing has assuredly not changed. He will continue to be judged fundamentally on the performance on the economy. Mr Clinton was elected to turn it around, and will sink politically if he falls.

Budget is 'all about paying for the 1980s'

A TRILLION dollars would equal a stack of \$1,000 bills 67 miles high. That is what Ronald Reagan told Congress in February 1981, when the US national debt was edging up to this thousand billion level but was still a meagre \$934bn

Twelve years later the national debt is \$4.3 trillion and the stack of \$1,000 bills is 288 miles high. Clearly, something went very wrong. But, as if indifferent to this dismal track record, politicians dld not refrain this week from confidently issuing elther forecasts of disaster or extravagant claims of achievement if the Clinton economic plan - the latest solution to massive US budget deficits - was enacted.

President Reagan's recipe to boost the economy was to cut personal income tax rates by 10 percentage points over three years and give tax breaks to business as well

This time the Republicans said the Clinton budget package would smash the prospects for 800,000 small businesses. cost jobs and retard the recovery. Democrats said it would cut the deficit by \$500m over five years, turn the country around, end the "gridlock" in Congress and create 8m jobs.

Among the hudget's 15 pounds of pages (according to one congressman, who presumably brought a scale to his office) are thousands of provisions whose effects were vigorously debated.

"As surely as night follows day, these proposals provide those who save the most with the incentive to save less," declared Congressman Rick Lazio, a New York Republican. "With productivity finally on the move, these tax changes provide the incentive to work less or not as hard."

in Texas alone, the new taxes will cut 41,000 jobs, said Congressman Jack Fields. another Republican. The legislation would provide \$3 in tax rises and fees for every \$1 in

Congressman James Moran, a Virginia Democrat, had a different view. The legislation would reduce real estate taxes. encourage debt restructuring, authorise mortgage revenue

Nancy Dunne on the debate over the economic effects on the real world

bonds and low income housing tax credits. It would "break the back of the credit crunch that is strangling this economy and reduce the number of properties that have to be seized by failed banks".

Meanwhile, economists in the real world were watching the "theatre of the absurd", as one called the congressional show this week. Most said the impact of the legislation on the US economy would be slightly negative in the sbort run, modestly positive over the long term and possibly negligible overall.

Economists believed it contained little economic stimulus although the \$21bn to be returned to the "working poor" in earned income tax credits might boost some additional pending

However, Mr Richard Hoey. chief economist at the investment fund group Dreyfus, is worried ahout the impact of the budget on consumer spend-ing habits of the well-off. He said: "I think it's a depressant on the consumer area - what you have is a permanent income tax increase on the higher-spending portion of the

He believes higher taxes will crimp consumer demand, which will "keep the US economy in a restrained expansion

Mr Robert Brusca of Nikko Securities agrees that Presi-

"promised future spending targeted high-income individuals for tax increases. "He's taking too much money away from people who aren't as rich as he thinks... The economy is weak and it's going to hurt."

Many economists initially were disappointed that the president did not seek a larger budget reduction package. But upon seeing tha "absurd spectacle" in Congress, they began to think that Mr Clinton had done the best he could.

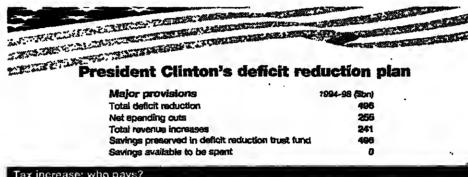
Mr Bruce Steinberg, a man-

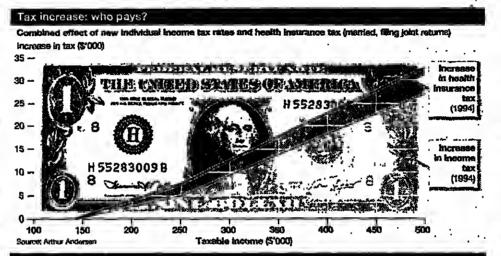
ager at Merrill Lynch, said a tax payment of this scale in the economic package - about \$240bn - would usually teod to slow the economy. But more than half the fiscal drag would be offset by interests rates lower than they would be without deficit reduction. "The effect is at most 0.5 per

cent of GDP, most likely only 0.1 or 0.2 per cent," he said. The tax package might hurt some small businessmen, wbose tax rates could rise from 31 to 36 per cent if they earn more than \$200,000 a year. But "a lot of these guys are doctors, lawyers and accountants" who do not hire many workers in any case. Mr Steinberg said. Mr Barry Bosworth, an economist with Brookings Institution said there would be "very small depressive effect in the

short run. However, a smaller deficit means less government bor rowing and higher savings and capital formation for the private sector. Mucb of the corporate finance restructuring is over, but corporations still are not borrowing much, which is one reason for the lower long-term interest rates. Mr William Griggs, a former

Treasury official, agreed with Republicans who wanted to stress hudget cuts over new taxes which probably would not produce the revenue the president expected. However. the depressing effects of this have been overdone," he said. "We will get a rise in confident Clinton is wrong to have dence from baving It passed





Main spending cuts Budget deficit as percentage of GDP 1994-98 (\$bri) -102.1 Discretionary spending freeze (1993 levels Medicare -11.B Medicald Radio spectrum auction -4,6 -3.0 -2.9 Student loan reform Acriculture Banking and housing Customs savings Welfare savings

Main tax changes 1994-98 (\$bn) Upper-income individual taxes: Increased rates for high-income individuals Repeal \$135,000 Medicare payroll tax wage cap -29.2 Corporate tax rate/estimated tax -24.6 Social Security 4.3 cents fuel tax Low-Income housing credit Research tax credit Small business expensing Targeted capital gains for small busine

creation may move more year, and labour force growth

they have almost no tax

The consensus is that job

and most taxpayers will find slowly than without the new

Earned Income Tex Credit

Family preservation and support

Education benefits tax exclusion

Targeted Jobs Tax Credit

Inner city tax incentive

Child Immunisation

Food Stamps

has slowed. The hudget deficit had to be attacked at some point. "It's all about paying for the 1980s.

1994-98 (\$bn)

Deficit plan's impact already discounted

By Patrick Harverson, Karen Zagor and Nikki Tait in New York

CONGRESSIONAL approval of President Bill Clinton's economic plan is unlikely to provoke much reaction from investors when US financial markets open today. The budget measures have been debated for several months, and their impact on the economy has already been priced into both bonds and stocks.

In some quarters of industry, the 11th-hour haggling over the package produced noticeable sighs of relief. The General Aviation Manufacturers Association, which represents makers of small aircraft and corporate jets, described the proposed repeal of the luxury

"That has been a deterrent, especially to those buyers who use an aircraft partly for busi-ness and partly for their own use," said GAMA. The trade association also breathed more easily when it learnt that new registration fees would not be imposed on aircraft, and welcomed the much smaller than threatened 4.3 cents a gallon trol tax. "That's not go kill us," it commented.

The National Marine Manufacturers Association was equally encouraged, and glad to see that the tax on luxury items priced at above \$100,000 (£67,000) died. A spokesman said: "The tax

cost about 25,000 to 30,000 people their jobs on boat lines. It decimated sales of the product, which fell about 70 to 80 per cent. So its demise is good news for boating and for the big boat sector particularly." Other industry groups were critical of some of the concessions made. The beleaguered commercial airline industry

said that it remained ada-

mantly opposed to the imposition of increased taxes on jet fuel - despite the fact that these duties will not now come into effect until October 1995. "We're continuing to oppose the fuel tax on airlines," said the Air Transport Association, which represents the main US carriers. "The two-year exemp-

we think we make our fair contribution already." Mr Eric Johnson of the Northeastern Loggers Association

tion is not really the point ...

"The president compromised a bit too much and that may come back to haunt him'

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(4.2.

also criticised some of the lastminute haggling, in which senators won concessions for special interest groups, in exchange for supporting the package. "I'm afraid the president compromised a bit too much and that may come back to haunt him," he said.

Meanwhile, Monsanto, the big US chemical company, expressed its displ a 90-day moratorium on the sale of bovine growth hormone - a measure designed to appease Senator Russell Feingold, a Wisconsin Democrat who had pushed for a one-year delay. The moratorium will start after the Food and Drug Administration approves the

drug, expected later this year. "Even if it had come down to a one-day moratorium we would have thought it was wrong," said Monsanto. "It violates having a scientific-based regulatory process. There is no reason and no justification for it and we believe that most members of Congress feel that

Megastore open despite FFrlm Sunday trading penalty

Fine day for Virgin in Paris

VIRGIN, the British leisure group, yesterday again defied the French authorities by opening its opulent megastore on the Champs Elysées in Paris, even though it meant paying a legal fine of FFrim

Mr Patrick Zelnick, the flamboyant chairman of Virgin in France who has led the twoyear battle against France's Sunday trading ban, described yesterday's opening as "a hit like a last stand". The shop opened as usual at noon with a banner emblazoned across its facade saying "In the name of Sunday we'll fight to the end." Virgin said, however, that it would decide this week

whether to open next Sunday. The latest bout of the Sunday trading battle began last month when the CGT trade union won a court order to force Virgin to close on Sundays. Virgin has continued to trade despita the ban and on Friday won an appeal to reduce its fine from FFr4m to

"It's obvious that we can't carry on paying such buge pen-alties," said Mr Zelnick, who throughout the Sunday campaign has shown the same flair for attracting media attention as Mr Richard Branson, Virgin's founder. 'But we're still opening the store today to show how stupid the situation has become."

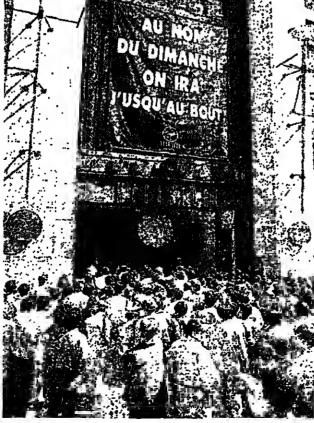
The Champs Elysées megastore, set in a lavishly renovated hanking hall, usually attracts 30,000 customers and sales on Sundays. The timing of the current skirmish could scarcely be better for Virgin, which would usually expect to see business slow down in August, a boliday month in France. However the shop was nacked yesterday, not only with shoppers, but with television crews and journalists. "This is the first time I've

been here," said Ms Sévérine Hinault, 22, a student from the Paris suburbs. "I didn't even realise Virgin was open on Sundays until I saw the television coverage of the campaign. The store looked so great that I had to come." "I'm bere to show my sup-

port for Virgin," said Mr Guil-laume Rochard, a 23-year-old office worker. "I often come on Sundays to spend a couple of hours in the store. I work all week so I don't have time to shop. Why shouldn't Virgin open on Sundays? It isn't doing The shop has set up a special

counter where Mr Rochard can sign a petition in support of its campaign. Mr Branson bas said 450,000 people have signed so far. Virgin also sells cam-paign T-shirts - bearing the slogan "I vote yes to the Virgin megastore opening on Sunday for FFr44 each.

Virgin bas stepped up lts lobby to persuade the government to reform the 1906 Sunday trading laws. Mr Branson last week threatened to scrap his plans for expansion in France, which could involve creating 1,000 jobs in five years by opening 25 new shops. The government has been split over the Virgin battle. Mr



"In the name of Sunday we'll fight to the end," reads the banner outside Virgin's Paris megastore yesterday

Jacques Toubon, arts minister, has argued that Virgin should be exempted from the Sunday ban. Mr Michel Giraud, employment minister and the

chief target of the union pro-test. has urged Virgin to respect the law but promised that parliament will debate the 1906 legislation this autumn.

Actress named to chair US arts agency

taxes, but the 2m jobs that Mr

Clinton promised in the elec-

tion will still be created this

By Karen Fricker in New York

PRESIDENT Bill Clinton made his first big move in arts policy at the weekend by nominating award-winning actress Ms Jane Alexander to chair the National Endowment for the Arts (NEA), the governmant agency which issues grants to performing and visual artists.

The chair has been vacant since January when Ms Anne-Imelda Radice, a conservative Bush appointee, stepped down; it has been filled in the interim by Ms Ana Steele, a longtime NEA employee, who said Ms Alexander was "a superb choice". The Endowment, which has

a budget this year of \$174m (£117m), has been under beavy attack in recent years from members of Congress and con-servative religious organisations who question the government's use of public funds to support artists who treat sexand religious material in an outspoken manner.

In a statement on Saturday Mr Clinton said: "The Endow ment's mission of fostering and preserving our nation's cultural heritage is too important to remain mired in the problems of the past." Ms Alexander is currently starring in the hit play The Sisters Rosensweig on Broad-

way. She has performed in 40 films and over 100 plays in New York and the regions.

VW steers away from spying controversy

By Christopher Parkes

A MONTH or mora after joining Volkswagen, former General Motors managers were still working diligently on their old employer's behalf. Shredding documents is not the sort of work automotive purchasing and production men are used to, but they got on with the job.

According to Volkswagen,

they took pains to ensure that documents which could "possi-bly" belong to GM and could "possibly" contain sensitive information ware destroyed. Their aim was to "avoid any danger" that the information should fall into VW hands - in other words they were working in the intarests of their ax-employer, General Motors. Eye-witnesses said two of the group. Mr Jorge Alvarez Aguirre and Mr Rosario Piazza

worked through one night in April, filling a van parked outide a Wiesbaden house "metras-high" with bags of According to VW, others car-ried out their shredding in the Gästehaus Rotehof, a comfort able Wolfsburg hostelry owned by Volkswagen and used cusmarily for entertaining distinguished visitors. Mr José Ignacio López de Arriortúa,

newly appointed production director and ex-GM global buy-

ing chief, for example, stayed there while house-hunting.
In one 30-line statement, issued close to midnight on Friday, Volkswagen effectively

put paid to its new employees' persistent claims that none of them took any documents when they left GM and Adam Opel, the US group's German subsidiary last March, Since GM papers are now admitted to have been in the hands of VW employees on VW property, it will make it more difficult for

claims that no secrets mada their way to the Volkswagen headquarters at Wolfsburg. Opel said yesterday that the weekend's admissions - nota-bly on the Rotehof shredding activities - would be of particular significance to public prosecutors investigating sus-pictons of industrial espionage against Mr López and three

the German group to sustain

The bizarre statement, which nerged after a meeting of the German group's supervisory board, was otherwise much as expected. The board, which hires, fires and ensures the decent conduct of executives, restated "unaltered confi-dence" in Mr Lopes and in chairman Mr. Ferdinand Piech's claim that the group would break even this year.

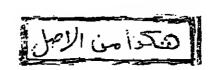
As befits a case in which disappearing acts have so far been everyday occurrences, there was much missing from the board's declaration. There was, for instance, no mention of the shredders' names and no explanation of how or why the papers were taken or sent to

Wolfsburg. But something else was missing. Although the statement relterated its support for Mr a declaration two weeks ago in which an élite group of senior supervisory directors said they would stand by him unless and until he was found guilty.

Volkswagen is hanging on to its miracle-worker, but its grip appears to have loosened. But as in the past, the group refrained from offering any explicit support for his col-leagues. Indeed, the shredding revelations suggested more than ever that Mr López's associates have been cut adrift.

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Recovery seen emerging for Russia in 1996

By Leyla Boulton in Moscow

Control of the Contro

THE crisis of the Russian economy will continue well into next year, but economic recovery can be expected in 1996, according to the govern-ment's latest blueprint for mar-

This medium-term programme, approved on Friday, also claims to have digested the lessons of last year, includ-ing the need for more social cushioning, more action against inflation, and selective rather than across-the-board support for industry.

It lists unchanged strategic aims, such as land reform, and sets out essential institutional changes, such as the creation of an effective secondary share market. The latter has failed to materialise so far, despite the issuing of millions of shares as part of an ambitious mass privatisation programme.

It also provides some details of a long-promised industrial policy. This includes, for instance, a need to convert military aircraft factories to the production of civilian zeroplanes - a process already under way. But, on a bloated sector such as metallurgy, it remains vague, talking of the need to reduce pollution and

improve its raw materials base. The programme expects the economy to begin stabilising in the second half of 1994, saying that the completion of mass privatisation by then will have improved company perfornance and financial discipline.

It hopes for inflation to fall to 5-7 per cent a month next year, compared to 19 per cent last month. It sees the budget deficit hovering beneath the target of 10 per cent of CDP target as early as last year. By the end of 1995 it expects the equivalent of 35 per cent of gross domestic product to be in state hands. It also expects an unspecified growth in living standards by then.

In 1996, along with a halt in the slide of Russian energy production, and stabilisation of agricultural output, it predicts the beginnings of a resumption of economic growth.

Finalised after last month's botched monetary reform, the report says, "there are no serious reasons to predict catastophe unless we ourselves oring them into heing".

The European Commiss

announced at the weekend a temporary solution to a row with Russia over aluminium imports, by announcing it would restrict imports from the Commonwealth of Independent States to 60,000 tonnes between now and November.

This quota would include unsold stocks on the London Metals Exchange. The Commission, under pressure from EC producers to limit imports which have hit prices, said an investigation had found unfair damage had been caused to EC

Appeal for UN help over **Afghans**

By Leyla Boulton in Moscow

RUSSIA and the Central Asian republics have appealed to the UN to mediate, and to send ers to the Tajik-Aighan border, in an attempt to end Afghan attacks on a strategic border of the Commonwealth of Independent States. At a weekend summit to dis-

cuss the Tajik crisis, Russian President Boris Yeltsin failed to extract specific commitments from his Central Asian partners for a joint peace-keeping force. So far, the hrunt of peace-keeping has been carried by the Russian army, with help from Uzbekistan and a single battalion from Kyrgyzstan.

The president of Turkmenistan, which plans to operate alone economically and politically hy relying on vast reserves of natural gas, did not attend the meeting. Kazakh-stan, Uzbekistan, Kyrgyzstan and Tajikistan endorsed, with Russia, a vague statement that they would respond appropriately if attacks were to continue, and that Tajikistan would receive more military and humanitarian assistance. The foreign ministers of the



five countries appealed to Mr Boutros Boutros Ghali, UN secretary-general, for mediation to pave the way for talks with Afghanistan. They also asked the UN Security Council to send observers to the border and to examine urgently a crisis combining attacks from Afebanistan and civil war in

Meanwhile. Mr Eduard Shevardnadze, the leader of Geor-

gia, another mar-torn republic south of Russia, found himself the sole master of the local and civil mar, his cabinet having been forced out of office by parliament on Friday, Mr Shevardnadze, adding the premier ship to his already dominant role as head of state, claimed Georgia faced extinction unless emergency powers were concentrated in his hands.

Belarus seeks currency union with Russians

By Matthew Kaminaki in Minsk and Leyla Boulton in Moscow

BELARUS, baving seen its surrogate currency tumble after the Russian central bank's withdrawal of pre-1993 banknotes, is now trying to tie its economic survival to a new currency union with Russia. The value of coupons issued

last year in Belarus to make up for a shortage of rouble banknotes from Russia has fallen 25 per cent in the past two weeks. While roubles traded in Moscow have remained at about Rbs1,000 to the dollar, the coupon, called the hare because of the animal sbown on the makeshift banknote, was fetching the equivalent of Rbs1,550 to \$1 on Friday.

The weakening of the hare also means that Belarus has to pay more for Russian goods and receive less for its exports to Russia - a body blow in that most Belarus trade is with its giant neighbour. The exchange rate between the Russian rouble and the Belarus rouble bad risen from 1:1.8 on July 24 to 1:2.6 on Friday.

Unlike other former Soriet republics enraged by the Russian central bank's mithdrawal of notes, the Belarusian gov ernment, always respectful towards Moscow in public.

appears to accept the central bank move.

The reformist chairman of

the Belarus parliament, Mr Stanislay Shushkevich, who is also head of state, insisted in an interview that the step bad done "no great damage". Instead of introducing its own fully fledged currency, as some republics, such as Turkmenistan, plan to do, Belarus would keep the rouble on conditions to be agreed with Moscow, he said.

Similar undertakings were made at the weekend by Kazaklistan, the second largest former Soviet republic, and Uzbekistan, the most populous of the Central Asian republics. Central Asian leaders, meet-

ing Russiau Presideut Boris Yeltsin in Moscow at the weekend, called for a meeting on September 7 of all republics keen to build an economic

Russia bas long demanded that republics abandon the rouble as their currency or subscribe to common budgetary, financial and monetary policies dictated by Moscow. The central bank more appears to have helped speed their deci-

'We are ready to establish common credit and bank policies, a common tax policy and duties," Mr Shushkevich said. A small country of 10.7m

people, which made up just 4 per cent of GDP of the former Soriet Union in 1992, Belarus bas staked much political capital on rebuilding economic ties with the rest of the ex-Soviet

Staying in a nearly recreated rouble zone, government officials hope, might stem the drop in inter-republican trade, down by 40 per cent since 1991. About 70 per cent of imports, including 90 per cent

of energy supplies, come from "If our relations remained the same the economy would be better," said Mr Vladimír Khilko, chairman of the Belarus Savings

To that end, even before the central bank move. Mr yacheslay Kebich, the prime minister and a conservative. last month agreed to work on an economic umon with Russia and Ukraine, due to be signed next month.

Mr Kebich and Mr Shushkey ich, political opponents, see eye-to-eye on economic union though Mr Shushkevich, against a majority in parliament, opposes a collective security agreement with Rus-

Romanian coal miners flex their muscles

COALMINERS from Romania's Jiu Valley, who spearheaded violent anti-reform ramps through Buchacest in 1990 and 1991, are once again out on strike, pressing the govern-

But so far the government. unlike its predecessors, has not caved in. It has instead begun-legal action to have the strike, which today entered its second.

The miners' position seems untenable. Romanians appear solidly opposed to the strike, angered hy the miners' demands for an average wage of the equivalent of \$290 a month. Most workers earn less than \$80. Workers in the same trade union confederation as the miners have ignored appeals by their leaders to strike in solidarity.

The Ministry of Industry argues that the 6m tonnes of pit coal produced each year in the Jiu Valley's 13 mines is not a vital source of energy. The region's coal supplies two nearhy power stations but these plants, which together account for only 4 per cent of the country's electricity capacity, could also be run using lig-

The ministry further argues that the miners are in danger of pricing their coal out of the market. According to the ministry, if the miners' pay demands were met, the cost of their coal would double. Even at present prices. Ukrainian coal is being imported to the Romanian market.

The strike seems motivated hr a number of factors. The runk and file have come out because they want more money to compensate for the difficult conditions in which

they live and work. They are also following the call of their charismatic leader. Mr Miron Cosma, the man who led them on protests to Bucharest and secured their ear-

Mr Cosma's motive for calling the strike - for which, surprisingly, he has the support of RAH, the state-owned coal

The ministries of industry and finance are conducting Cosma and several senior RAH company officials. The compamy's chief accountant and budget director have already been fired, following earlier investi-

Ministry of Industry officials argue the strike could be an attempt to divert attention

Mr Cosma, however, appears confident. One of his bargaining tools is the threat, albeit veiled, of fresh violence.

as to whether he intends to lead his men, who appear to support him whole-heartedly. to Bucharest again, he says: With miners, anything is pos-

But he is also making politi-cal threats. In recent months, Mr Cosma has claimed he has evidence that senior government officials, including President Ion Iliescu, called miners to Bucharest as part of plans to consolidate their own power.

ingly willing to talk if his demands are not met. It remains to be seen whether those involved in the incidents of 1990 and 1991 now feel confident enough to ignore him.

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Beijing aims for 10.5% inflation rate

By Lynne O'Donnell in Beijing

CHINA could stow inflation to an annual 10.5 per cent, according to a senior government

analyst.

Mr Lai Guangxian, director of the economic forecasting department of Beijing's state information centre, said the rate depended on the effectiveness of the government's current macro-economic control

Mr Lai, quoted in Sunday's official Business Weekly newspoper, said Chiua's total annual money supply could he kept to about Yn150hn

Money supply in the first half, according to government figures, was Yn52.8hn and growing at an annual rate of 50

per cent. Control of fixed assets investment - which grew hy an annual rate of 61 per cent in the first half - was especially important, Mr Lai said.

The slowdown in inflation could be achieved by controlling the country's total invest- prices. ment in fixed assets to a growth rate of about 28 per cent and limiting total retail sales growth to ahout 18 per cent for the year," the Business Weekly said. First-half retall sales increased 21.6 per cent on the same period last

Figures released last mouth show China's economy grew in go-slow order.

of 13.9 per cent, more than a full percentage point higher than the 12.8 per cent recorded

Inflation was shown to he running at a year-on-year 14 per cent nationally, but 21.6

per cent in 35 hig cities.
Investment in fixed assets shot up to Yn354.2bn, with investment by the state sector growing by 70.7 per cent, to

began implementing austerity measures aimed at cooling the economy, which has been compared by both local and international observers to a runaway train.

The measures have so far included directives to speci-alised banks to recall all highrisk loans, stop lending to nonhanking financial institutions and stop running commercial

Bank lending and deposit rates have been increased with the aim of boosting faith in banks and to stabilise domestic

The official People's Daily said Beijing's call to strengthen control over economic growth rates had yielded "preliminary results in certain areas". But in a separate, strongly worded commentary, the Communist party said local officials must obey new policies and stop trying to by the state statistical hureau shield their regions from the

Osman to be freed later this month

MR Lorrain Osman, former chairman of Bumiputra Malaysla Finance, will be freed later tius month, almost eight years after he was arrested on charges of fraud in connection defraud shareholders in a deciwith the collapsed Carrian sion which a leading lawyer group, writes Simon Davies in described as "hizarre and irra-Hong Kong.

The remaining 15 criminal charges against Mr Osman month. were dropped oo Friday, leaving the Malaysian hanker to complete a one-year sentence handed out in June. His jail term has been reduced by good behavlour and time already spent in prison. Carrian, a Hong Kong listed property and shipping group, collapsed in 1953 with bad debts of more than US31bn.

The subsequent legal battle

has been the longest and most costly in Hong Kong's history. Carrian's managing director, Mr George Tan, was acquitted in 1988 of conspiracy to tional". Mr Tan will face further hribery charges next

In June Mr Osman pleaded gullty to charges of conspiring to defraud Bumiputra Malaysia Finance by authorising US\$292m of loans to a company controlled by Mr Tan. The company had no assets and paid-up capital of only

The case has cost Hong Kong taxpayers more than HK\$100m

Dark motives seen in Hanoi's power policy

By tain Simpson, recently in Hanol

FOREIGN investors in Vietnam and their domestic counterparts are becoming increasingly frustrated with

the country's power supply.

In Saigon, the former South Vistnamese capital and the focus of foreign investment in the country. Irequent hrownouts mean factories and many offices have invested in expensive generators to keep equipment

running.
As the Vietnamese economy contin-

ues to grow, the demand for electricity outstrips the ability of the system to provide it. Officials in the ministry of energy say demand in the south is at least 20 per cent above capacity, and the gap is likely to widen over the

next few years. Economic development is concentrated in the south of the country. while most of the country's electric power is generated in the north. Some foreign observers suggest this is aimed at keeping the south in thrall

northern Vietnam has worsened the imhalance. The dam, which was started as a Soviet aid project and which will produce 8.5hn kilowstt hours a year when the final turbine is switched on later this year, will more than meet demand for power in the north. Yet Hanoi has plans for a second dam and power plant up river, st

a cost of up to \$4hn (£2.6hn). The government is expected to apply for a project loan from either the World Bank or the Asian Develop-

A dam and hydroelectric plant in ment Bank. However, as this type of centralised project has fallen out of favour with the institutions, Hanoi may have to look elsewhere to raise

the money. The government is already committed to finding at least \$550m for the construction of a 1,500km transmission cable from northern Vietnam to the south. It is claimed this will balance supply in the two halves of the country, and cut the level of power lost in transmission.

However, the line will not be com-

The energy ministry has a long-term development plan to increase generating capacity to 25bn kilowatt hours by the year 2006, from 10hn kilowatt hours this year.

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According to Mr Nguyen Tien Hai a director at the ministry, growth lev-sls can cope with the increased demand in the short term, but after 1996 the gap between supply and demand could widen rapidly as rural industries and small businesses are

NEWS IN BRIEF

Death sentences for 34 Algerians

death at the weekend, the government newspaper Ki Mondjahid reported yesterday, Reuter reports from Algiers.

Five of the condemned were among 22 men in a special court

facing charges which included setting up an armed group, con-spiracy against the state, murder, kidnapping and sabotage. A further 29 men being hunted were sentenced to death in

Kuwait workers on rampage

Foreign workers at a Knwait refinery went on a rampage during a strike over poor conditions, overturning vehicles and smash

their residence, Reuter reports from Kuwait.

The disturbance – unusual among Kuwait's foreign labour community – occurred on Saturday during a one-day stoppage hy about 2,000 maintenance workers at Kuwait's Mina al-Abdul-

Their nationalities were not given but most maintenance crews are staffed by Filipinos, Indians, Bangladeshis and Sri

The strikers complained of inappropriate living conditions, a lack of suitable food and said annual holidays were not long enough for them to attend to family business back home, the Al-Watan newspaper said.

Blast kills Hindu militants

A powerful bomb killed at least three Hindu militants in India's southern Tamil Nadu state yesterday, their group's spokesman said, Reuter reports from Madras.

He said the explosion ripped through the headquarters of the right-wing Hindu Rashtriya Swayam Sevak Sangh (National Vulanteers Corps) in Madras, capital of Tamil Nadu. Several

Singapore poll candidate ian-led interim government is

Mr Joshua Jeyaretnam, an opposition leader in Singapore, is to contest the republic's first presidential election, due to be held at the end of this month, writes Kleran Cooke in Kuala Lumpur. Mr Jeyaretnam, a lawyer who once held senior positions in Singapore's judiciary, became Singapore's first opposition MP in

An outspoken critic of Mr Lee Knan Yew, Singapore's former prime minister, and the governing People's Action party, Mr Jeyaretnam has frequently been in trouble with the Singapore

authorities. In 1985 he was convicted for improper use of his Workers

a three-day stoppage aimed at "the passive dislocation of civil party funds and barred from contesting elections for five years. He was also struck off the roll of lawyers. Under Singapore's new presidential rules a three-member presaway from work but not to idential election committee decides on the eligibility of candi-

dates to contest an election. Two other leading Singapore figures have put themselves forward as candidates - Mr Ong Teng Cheong, now deputy prime minister, and Mr Chua Kem Yeow, 8 former accountant general. Chinese floods hit homes

Floods in the south China province of Hunan have stranded 527,000 people and destroyed 163,000 homes, according to the Xinhua News Agency, Reuter reports from Beijing. It said the flooding Lishui and Ynanjiang rivers, swollen by

torrential rain which fell at the end of July, also damaged crops on about 8m hectares of farmland.

Rescuers carry a body from a Kagoshima people were missing, a police spokesman hospital which was engulfed by a landslide following torrential rain sweeping southern Japan. The death toll in floods rose to 41 yesterday and an estimated 22

Bhutto's

brother in

power bid

MR Murtaza Bhutto, the exiled

hrother of Ms Benazir Bhutto,

Pakistan's nppositing leader.

plans to return to contest the

October elections, raising spec-

ulation of a power struggle in

the Bhutto family, writes Far-

The polls were called after

Prime Minister Nawaz Sharif

and President Ghulam Ishaq

Khan stepped down last

The Bhutto family has led

the Pakistan People's party.

the most important opposition

force, for almost 25 years. Mrs

Nusrat Bhutto, the family's

matriarch and Ms Bhutto's

mother, said at the weekend

that Mr Bhutto would end his

He fled Paklstan in 1977

when an army coup toppled

his father, former prime minis-

ter Zulfikar Ali Bhuttn, who

was later executed following a

conviction for conspiring to

16-year exile in Damascus.

han Bokhari in Islamahad.

said, Reuter reports.

Three rivers running through the city, the provincial capital of Kagoshima pre-fecture on Japan's main southern island

lhrahim

ltary council of the interim

government proposals ended

inconclusively on Friday and will restart on Thursday after

Mr Bahangida has seen secu-

rity force leaders, who hold the

key to Nigeria's political

Pressure is coming from the

lower ranks of the armed

forces to withdraw from direct

military involvement in gov-

ernment. Many officers believe

their reputation has suffered

since the government's refusal

to install a democratically

elected civilian president on

August 27, leaving a six-year

transition programme incom-

plete and the country divided

hy the suppression of Mr Ahiola's victory.

A meeting of middle and

junior ranking officers in

Lagos last week rejected a plan

by the government which

seemed to make the Interim

government an extension of

future.

Babangida turns to his

security chiefs for help

the downpour started nn Thursday. In some places flood waters reached waist level, washing away cars and leaving

heing treated with hostility in

Lagos and the south-west, where the Yoruha majority

feels the north has dominated

Nigeria, mostly through mili-

The Campaign for Democ-

racy, a loose association of

pressure groups, is organising

Leaflets have heen distrib-

"We hope that this will huild

up momentum and force the

government to hack down over

the annulment of the June

elections," said Mr Olisa Agba-

koba, one of the campaign's

organisers, yesterday. Last

month a week of civilian pro-

test degenerated into looting

and destruction, put down hy

the army with about 100 civil-

nted telling people to stay

resort to violent protest.

tary regimes, for too long.

society".

murder a political opponent. military rule. Status quo locks in effect of D-Mark instability

ONE WORD appeared repeatedly on the lips of both German and French politicians and central bankers last week: stability. After last Tuesday's Franco-Germau

summit meeting in Paris, French Economy Minister Edmond Alphandery reaffirmed his government's commitment "to a monetary policy that emphasises price stability and the stability of the external value of our currency".

Mr Alphandery's words will have been music to German ears. For stability has also been on the mind of German Finance Minister Theo Waigel. "I assume," he told a news conference the morning alter the late-night decision of Europe's finance ministers to widen ERM bands, "that in a relatively short time exchange rates will stabilise not very far from where they were in the existing bands".

The reason for this German desire for currency stability was outlined over the weekend by Bundesbank President Helmut Schlesinger in an interview with the Frankfurter Allgemeine Zeitung, in com-ments directed at hard-pressed German industry, he said he did not expect a clear revaluation of the D-Mark against other

For the French government, a period of calm, after weeks of foreign currency storms, also has its attractions. Keeping the French franc close to its old ERM bands against the D-Mark is the best way for Prime Minister Edouard Balladur to fight off the charge that he has sanctioned

the current D-Mark-franc link no longer seems consistent with either domestic or external stability. The franc fort policy of fixing the franc to the D-Mark, far from preserving "the stability of the external value" of the franc, has bequeathed an effective 6 per cent appreciation against a trade-weighted basket of European currencies, as the teft-hand chart shows.

currencies in the ERM, adding that other ERM members were currently more interested in stabilising their currencies than in cutting their interest rates sharply and triggering devaluations.

an implicit franc devaluation. But for the French economy, preserving

The reason is that the French franc has

heen pegged to an appreciating currency. Until last September's crisis, the ERM successfully suppressed the D-Mark appreciation which German unification demanded. Instead, the real appreciation of the German currency, necessary to reorientate west German production from exports to east Germany and allow the government to finance its hudget deficit, occurred

through a rise in German inflation relative to its European partners. The result was a steady decline in the European price competitiveness of German industry since 1991, as the right-hand chart shows. France, by contrast, continued to amass competitiveness gains cause of its relatively low producer price

PRESIDENT

Babangida of Nigeria will con-

sult the senior officers in the

armed forces and police tomor-row before taking his next step

over a proposed interim gov-

Civilians and Junior ranks in

Mr Moshood Ahiola, the

unofficial winner of a cancelled

poll held in June, is in the US lobhying for sanctions to force

the government to install him

as head of state. There seems

no prospect of a post for Mr

Ahlola if the interim govern-

Germany, which is the larg-

est exporter to Nigeria, last

week cancelled a visit by MPs

and announced it would have to review hilateral relations

with Nigeria until the demo-

cratic process was put back on

ment takes effect.

the armed forces oppose the

use of the interim government

ernment for the country.

to extend military rule.

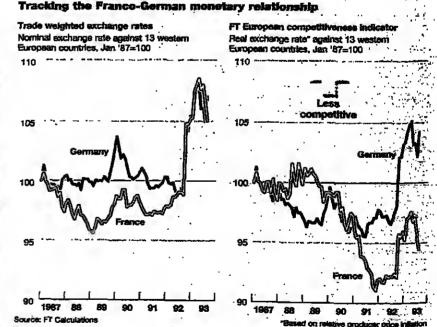
inflation rate. Since September the departure of sterling and the Italian lira from the system and the devaluations of the punt, peseta and escudo have further undermined German competitiveness, this time through a nominal D-Mark appreciation. But France, hy sticking to its old ERM parity, has been forced to accept both this nominat

exchange rate appreciation and the Bund esbank's high interest rates. The result is a deepening and unneces-

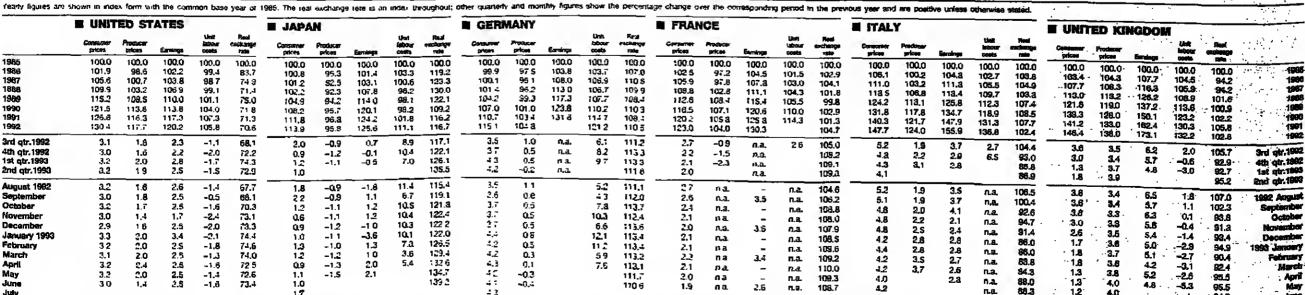
sary French recession. Maintaining the franc fort policy, far from preserving domestic stability, has thus progressively deepened France's domestic deflation. The longer the government refuses to cut its short-term interest rates in an attempt to preserve this franc appreciation, the deeper the damage to industry and the greater the risk of an unnecessarily large franc depreciation and inflationary backlash when the policy collapses

For France, a sizeable cut in interest rates, accompanied by some form of franc depreciation, seems the unly route back to stahllity. German industrialists have good reason to hope that such a franc depreciation does not occur over the coming months. But if the franc does fall, they should address their complaints to Bonn and Frankfurt, not Paris.

Edward Balls



INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS



n and WEFA from national government and IMF sources, and bit. P Morgan, New York, Consumer prices; not seasonally adjusted, and seasonally adjusted, refers to earnings in manufacturing except France and Italy pages have in industry. Health indept Japan advange rate index versus 15 industrial country covernces, adjusted for change in relative wholesale price of domestic manufactures. A



As part of the continuous

round-the-year bidding scheme

for exploration acreages, the

announces the Sixth Round of

Bidding for exploration in

India. Companies are invited to

bid for the exploration blocks

on offer. 23 blocks from those

offered in the Fifth Round of

Bidding are being offered again

in the Sixth Round. In addition,

23 other blocks are on offer,

making a total of 46 blocks on

offer, with 17 of them being

offshore and 29 onshore.

Companies may bid for one or

more blocks, singly or in

Production - sharing contracts

would be entered into by the

Government of India and Oil

and Natural Gas Commission

or Oil India Limited with

successful companies, with a

number of attractive features,

the more prominent of which

★ The possibility of a seismic

★ No minimum expenditure

★ No signature or production

★ Progressive fiscal regime

with sharing of profit

oil/profit gas being tied to

the venture for the

★ No ring fencing of blocks

for corporate tax purposes

★ Provisions for encouraging

production

share of oil at international

★ Purchase of company's

* Provision for assignment.

★ Provision for international

marketing of gas

market price.

commitment during the

the exploration period

exploration period

★ No royalty payment

option in the first phase of

are as follows:-

bonus

companies

CONTRACT FEATURES

with

other

association

companies.

of

Government

العكان في العالم العالم

Lloyd's faces

threat from

rebel Names

LLOYD'S of London faces

further possible controversy as it prepares to unveil the results of a ballot of its more

than 20,000 underwriting members or Names tomorrow.

Victory in the vote for rebel

oss-making Names could shat-

ter confidence at the insurance market and derail plans to to

introduce new incorporated

Mr David Rowland, chair-

nan of Lloyd's, conceded last

portive of hoth him and Mr

Peter Middleton, chief execu-

tive, were defeated he would

seek a formal vote of confi-

ing a new hattle hetween

Lloyd's and disgruntled

Names, whose losses over the

last five years amount to more

than £5.5bn.
The rehels are demanding

hat existing members he given

the right to veto new capital

They also insist that new

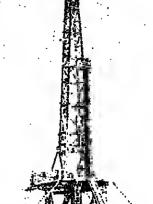
investors help pay the losses of

raising plans.

month that If a motion sup

By Richard Lapper

Ministry of Petroleum & Natural Gas New Delhi 110 001, INCIA



EC maternity benefits may cost UK £60m

BRITISH employers could face extra costs of up to £50m a year following a government decision not to offer state aid to offset the costs of bringing UK maternity benefits into line with EC requirements.

Under proposals likely to be unveiled this week, domestic employers are to be asked to pay the difference between the cost of existing maternity benefit arrangements and that of the new system which must be

in place by next October. The decision reflects the government's determination to curb its £80hn a year social security budget as part of the onslaught on public spending.
This was further underlined

esterday when prime minister John Major used a rare appearance as a guest newspaper col-umnist, in the News of the World, to emphasise that social security spending was rising

A consultation document to be published this week by the Department of Social Security is expected to set out two options for implementing the EC's maternity directive,

which was agreed last year. Both options are thought to incorporate a £4.55 a week increase to £52.50 in the level of maternity benefit and to raise the number of women eligible to receive an initial six weeks' maternity leave on 90 per cent of full pay.

At present in the UK, women are entitled to this six-week period on close to full pay only after two years' continuous employment. The new propos-als are expected to cut this qualification period to either six or nine months.

The decision to load the additional cost of the EC requirements on to employers may prove embarrassing to the government, which has argued that such costs should be kept to a minimum to protect com-

But some left-leaning ministers will be secretly delighted that higher payments for working mothers have been sanctioned. They see more gener-ous maternity and childcare entitlements as a potential Conservative vote-winner capa-ble of yielding substantial ballot-box dividends at a rela-

tively low cost.

In his News of the World column, Mr Major said the government had to ensure both that the "really needy" got all the help they deserved and that taxpayers' money was not being given to "people who

The government must "plan now for the social security sys-tem we can afford in the future," he said, warning this would involve "some tough

Hardier

detected

by Bank

By James Blitz,

Economics Staff

companies

BRITAIN'S industrial and

commercial companies per-

formed more robustly in the

recent recession than they did

in the economic downturn of

the the early 1980s, with com-

pany profitability and invest-

ment remaining at compara-tively high levels, the Bank of

A Bank report, which will be

published tomorrow in the Bank's Quarterly Bulletin, says

that UK firms took earlier and more active steps to adjust to the recent recession than they

did a decade ago, and therefore

The return on capital in the

Business investment as a

The report says, however,

that British companies entered

the recent recession with a

much higher level of indehted-

ness than they had in the pre-

Their borrowing requirement

averaged 7.4 per cent of GDP in

the 5 years to 1992, compared

to 2.2 per cent in the 5 years to

1982 - and the effects of large

financial deficits and borrow-

ing requirements may continue

to affect company hehaviour

vious downturn.

for some time.

Downing Street interpreted the prime minister's words as simply endorsing a position staked out by Mr Peter Lilley, the social security secretary. But Mr Donald Dewar, the

opposition Labour party's social security spokesman, said Mr Major's talk of "curs and means testing" would cause worry and distress. It would frighten people coping with disability, ill-health and unemployment and looked "unpleas antly like a further lurch to

Nynex and BT sign cable deal

NYNEX, the US-owned cable onnection deal with British relecommunications, thought to be the first by one of the the "big four" companies which dominate the UK's cable TV and telephone industry.

The agreement will give Nynex, which has 20 franchises of the gross call revenues generated by its subscribers, against 25 per cent under its existing agreement with Mer-cury, according to a report in the FT's Telecom Markets newsletter.

Until now, the four main cable operators - Nynex, Southwestern Bell, Telewest and BCE of Canada - have relied exclusively on Mercury to carry long-distance and international calls originating from their local networks.

The deal follows a more competitive strategy by BT, whose prices were invariably higher than Mercury's in the past.

Britain in brief

Rail sell-off

could force

15% fare rise

Rail fares could rise by as

much as 15 per cent next year

if the government presses ahead with existing plans to

privatise British Rail, said the

Central Transport Consulta-tive Committee, the passen-

British Rail has warned the

Department of Transport that

splitting the rail network into 25 regional operations in prep-

But Mr Michael Patterson,

secretary of the CTCC, said

that these extra costs were likely to be on top of any fare increase that BR might pro-

pose for its own perposes".

gers' watchdog.

retained a large proportion of the gains in profitability made recently been reporting take up rates of around 30 per cent for in the 1980s. me imes in areas where networks are under construc-tion, are increasingly switch-ing their traffic on to the pub-lic network rather than handing it over directly to Mer-cury. Switching enables them to choose more freely between long-distance operators, and to their subscriber income.

greater still when new operators enter the market - such as Energis, the telecoms arm of National Grid, which is cur-rently building a long-distance network and expects to be offering a service from next

Nynex and other cable opera-tors are likely to operate least-cost ronting systems, which allows calls to be sent along the network of the lowest-cost operator, enabling them to take advantage of short-term movements in prices between

non-North Sea sector was some 3 percentage points higher in the recent recession than it was in the previous one, according to the Bank of uct was also nearly 3 percent-age points higher in the early The advantages will be 1990s than it was in the early

rival operators.

teau; Marks and Spencer, which opened franchises in Budapest; Iceland, which formed a joint venture with French group Au Gel; and

per cent.
Although 56 per cent of UK investment went into north-

Coal licence

aration for their eventual sell-off would create extra costs, prompting fare increases of up to 10 per cent. no longer wanted by British Coal as a result of the decline continue mining.

Retailers go international

UK retailers are becoming increasingly international, and dominated first-time expansion in north-western Europe in 1992, according to research by Management Horizons, the rctail research group.

UK retailers, including Tesco, which acquired the French supermarket chain Cat-

Sears, which bought the Dutch mail order operator Ter Meu-len Post, accounted for 25 per cent of deals where retailers were expanding into a northwestern European market for the first time. France, the Netherlands and Switzerland each accounted for less than 15

western Europe, UK retailers also expanded into southern and eastern Europe.

deadline ends

A British Coal deadline for private sector companies to apply for mining licences at five redundant pits ends today with hopes high that bids will be made for all of them.

The mines are among 19 pits in demand for coal. They form the second tranche to be offered for licence. Among the first tranche, comprising four pits, there was only one bid to

Bus shake-up criticised

London First has added its voice to criticism of the government's proposals to deregulate London's buses to permit competent operators to run

any service they like.

In a policy paper being circulated to relevant groups, the

husiness-led initiative warns that deregulation could undermine the effectiveness of London's transport system" if current plans are not modi-fied. The body - set up last year to promote strategic thinking about London - says it is "critical" for the govern-ment to avoid a "rapid and wholesale" move to deregula-

Private groups win contracts Private contractors have won

more than a third of council contracts for bnilding cleaning, the Institute of Public Finance says today in a survey nn compnisory competi-tive tendering.

The institute, the research

arm of the Chartered Institute of Public Finance and Accountancy, found that 119 private companies had won contracts for building cleaning - more than for any other council service. They account for 35.8 per cent of all contracts awarded. However, the private sector has been most successful in winning small contracts, and its share of the total council market by value is lower, at 15 per cent.

Test of strength

Australia tightened its grip on the fifth test match by bowling England out for 251 in their second innings. England, who have already lost the series following three Australian victories and one match drawn, scored 276 in their first innings. Australia replied with 408. The tourists need just 120 runs to take the match.



Picture by Ashley Ashwood future profits.

BID ITEMS

Companies would be required to bid for :-

* Profit oil and profit gas shares expected by the contractor at various levels of rate of return or multiples

of investment recovered.

★ Percentage of annual production expected to be allocated towards recovery.

★ Total length of exploration period, number of phases in exploration period and minimum work commitment in each of the phases.

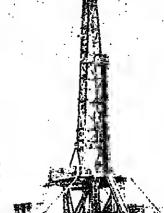
INFORMATION AVAILABILITY

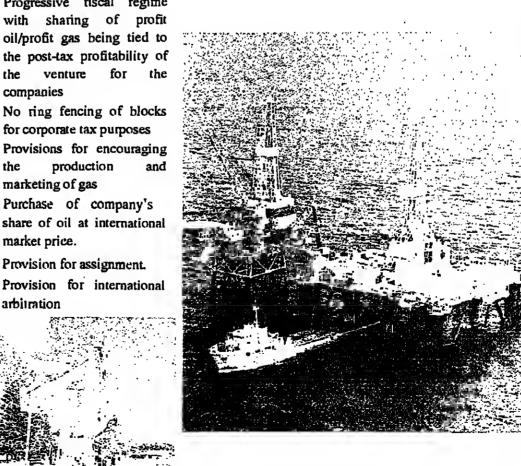
A brochure giving details of the blocks offered, geographical location on a map of India and the contract terms will be made available free of cost to companies.

To enable companies to assess the geological prospects of the blocks on offer, information dockets and data packages are available on sale. Separate information dockets on each basin are available, containing information on regional and local geology and the current status of exploratory activities in the blocks in each basin. The data packages contain seismic sections, gravity and magnetic anomaly maps, wireline logs and structure contour maps etc. and have been prepared for most of the blocks.

Companies interested inspection and purchase of information dockets and data packages and in obtaining further details regarding the offer may contact:

Mr. R.N. Desei Heed, EXCOM Group Oil end Natural Gas Commission 7th Floor, Bank of Baroda Building Parliament Street New Dalhi-110 001, INDIA Telephona: 3317205, 3715291 Telex: 031-65184, 031-66262 Facsimile : 3316413 Bids should be submitted in sealed envelopes superscribed "Confidential" "Sixth Round of Bids (1993)" not later than 3.00 PM on 31st December, 1993, to: Diractor General of Hydrocarbons 2nd Floor, Shasiri Bhavan Dr. Rajendra Prasad Marg





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The Health of Nations 1993 Health of Nations: Nemand, Cost & Efficiency on policy assues and impact on providers, suppliers and investors. James Watson, Rolf Krebs and Lady Cumberlege address this international confere sponsored by The Wall Street Journal care bodies, consultancies and banks.

Information: Citylorum Ltd

ECONOMICS

Focus turns to UK recovery prospects

ATTENTION shifts to the UK this week where a rush of figures for June and July may confirm fears that the recovery The data includes a regional

breakdown of the Confederation of British Industry's industrial trenda inquiry. which sparked concerns that the pace of recovery was slackening when it was published at the end of last month. None the less, on balance

economists expect unemployment to have fallen again in July by a modest 5,000 and foresee growth in consumer

Doubts about the strength of the recovery are reflected more in forecasts for manufacturing output. The median prediction s for a month-on-month fall of 0.6 per cent in June, although this would partly be a bounce back from the strong May figure, when output rose 1.8 per cent on the previous month.

This is also a busy week for US statistics. The first indication of third quarter consumer spending comes on Thursday with July retail sales figures. These are expected to show fairly soft activity with fairly buoyant general sales offset by

In France an increase in indirect taxes is expected to have raised the annual rate of inflation to about 2.2 per cent last month compared with 19 per cent in June. Although infla-

RESULTS DUE

tionary pressures in France are virtually dormant, some economists expect the markets to react badly to the higher figure since the comparison with German inflation will look less favourable to France.

1992

The rest of the week's economic releases and events follow. The figures in brackets are the median of economists recasts and come from MMS International, a financial information company.

credit (up £170m); July producer prices index - input (up 0.2 per cent on month, up 7.9 per cent on year), output (up 0.2 per cent on month, up 4 per cent on year), output excluding food, drink and tobacco (up 2.6 per cent on year). US, Congress scheduled to begin August recess. Canada, May labour income (up 3 per cent on year); June new motor vehicle sales (down 2.9 per cent on month). Australia. June base money. Singapore, markets closed for

Tomorrow: UK, Bank of England releases quarterly bul-letin. Sweden, May industrial production. US, Q2 productivity, Johnson Redbook. Canada, July housing starts (up 155,000). June department store sales. Japan, June machine orders excluding electricity and ships (up 0.5 per cent on month, down 13.4 per cent on year); Bank of Japan data. Wednesday: UK, regional

British Industry quarterly industrial trends survey; John Major, prime minister. visits Sweden for two days. Germany, cabinet to approve detailed draft legislation for 1994. Canada, July leading indicator (up 0.4 per cent on month). Japan, July trade bal-

reakdown of Confederation of

ance (\$11bn surplus). Thursday: UK, July unemployment (down 5,000); June average earnings (up 3.75 per cent), unit wages (down 4 pe cent in three months to end of June), manufacturing output (down 0.6 per cent on month. up 3.6 per cent on year), industrial production (down 0.5 per cent on month). France, July CPI (up 0.2 per cent on month, up 2.2 per cent on year). Spain, July unemployment (16.5 per cent). US, July retail sales (up 0.2 per cent), excluding cars (up 0.4 per cent), producer

Emma Tucker

prices index (up 0.1 per cent),

excluding food and energy (up

0.2 per cent); initial claims

week ended August 7 (341,000),

state benefits week ended July

31; July Atlanta Fed Index;

money supply data for week

ended August 2; July MI(up \$10.5bn), M2 up (\$3.1bn), M3 (down \$8.7bn). Australia, July

employment (down 10,000).

unemployment (10.9 per cent),

Friday: Spain, July CPI (up

0.5 per cent on month, up 10.7

per cent on year). Norway, July trade balance excluding cent on year). Norway,

ships (NKr5.3bn). US, July CPf

(up 0.2 per cent), excluding

food and energy (up 0.2 per cent); August Michigan senti-

ment, June business invento-

ries (unchanged); July real earnings; car sales August 1-10

(6.6m), truck sales same period.

Japan, July wholesale prices

index (down 3.2 per cent on

year, up 0.1 per cent on

During the week: Germany.

June retail sales (down 2.4 per

cent on year). July wholesale

prices index (up 0.1 per cent on

month). Spain, producer prices index (up 1.8 per cent on year).

sector credit, broad money.

June housing finance.

THREE OF the largest Royal Insurance on Thurscomposite insurers are set to day is also expected to record be back in the black by an impressive margin when they report their results for the first half of 1993 this week, underlining the recovery in the sector after recent losses, General Accident, which

reports tomorrow, is expected to register pre-tax profits of between £90m to £120m (comfactors. pared to a £21.2m loss at the Meanwhile BOC's healthcare half-way stage last year). The advance at Commercial Union, which reports on Wednesday, is expected to be only slightly less strong with a

profits of between £40m and £66m compared with a £79m loss last time, Falling losses from mortgage indemnity insurance and improving claims trends are the main reasons for the improvement, while companies are also benefiting from currency

division is likely to come under the microscope when the company announces its ninemonth figures tomorrow. Observers will want to know how much market share BOC has lost to generic competitors since its patent for the anaes-

thetic, Forane, expired in the US earlier this year. Pre-tax profits are expected to be between £262m and £275m. against £250.5m last time, largely helped by a £23m gain on currency movements.

Slow-growing Smith & Nephew, the bandages-to-Nivea healthcare company, has long been eclipsed by spectacular profits from drug companies. But Thursday's interim should show investors the benefits of a low profile in cost cutting times as the company reveals profits growth of as much as 20 per cent to £77m, helped by the fall in sterling.

of between £160m and £190m. against £64m in the first half of last year, Earnings per share are expected to rise to between 40p and 50p, against 4.2p, because of an expected fall in When Unilever reports on its

expected to post pre-tax profits

second quarter on Friday, the market will focus on what the consumer giant says about competitive pressure. The shares have been hit hard in recent months by worries over price wars in the US. However, the figures themselves are likely to be reassuring, with pre-tax profit of £545m expected for the quarter versus also reports on Thursday, is £511m last time.

UK COMPANIES

E TODAY
COMPANY MEETINGS: Ensor Hidgs., Post House Hotel, Manchester, 10.30 BOARD MEETINGS: Finais:

Mid Wynd Intl. Inv. Tst. Westminster Health Care Allied Irish CCS Grp. French Property Tst. hailand Int. Fund

■ TOMORROW COMPANY MEETINGS: Brown & Tawse, Imperial Street, Bromley-By-Bow, E.

Castings, Forte Posthouse Hotel, Chapel Lane, Great Barr, Birmingham, West Equity Consort Inv. Tst., Five Arrows House, St. Swithins Lana, E.C., 10.00 Evans of Leeds, Millshaw, Ring Road, Beeston, Leads, Mansfield Brewery, Clvic

Centre, Chesterfield Road South, Mansfield, 12.00 BOARD MEETINGS:

Howard Hidgs Pifco Hidgs. **BPP Hidgs** Bensons Crisps Edinburgh Oil & Gas General Accident Manchester Ship Canal New Ireland Hidgs Sastchi & Sastchi

■ WEDNESDAY AUGUST 11 COMPANY MEETINGS: Compco Hidgs., 33 Cork Street, W., 12.00 Europe Energy Grp., 5th Floor, 3 Gracechurch Street, Martin Currie European Inv Tat., Saltire Court, 20 Castle Terrace, Edinburgh, Midlands Electricity, ICC,

Broad Street, Birmingham, West Midlands, 11.00 Mountview Estates, Hotel Russell, Russell Square, W.C., NORWEB, G-Mex Centre, Manchester, 10.30 BOARD MEETINGS:

Armitage Brothers English & Caledonian Inv. Hambros Eurobond & Money Waddington (J.) Interims: Commercial Union

Foreign & Colonial Inv. Hambros Currency Fund Holliday Chemical Klainwort Overse Metal Bulletin Novo Nordisk SKF Grp. Thornton Pan Euro, Inv. Tst.

Ward Hidgs. **■ THURSDAY AUGUST 12** COMPANY MEETINGS: nvestment Co., Fairfax House, Fulwood Place, Gray'a Inn. W.C., 12.00 Somic, The Clifton Arms Hotel, West Beach, Lytham, 12.00 Upton & Southern Hidgs., 20 Old Balley, E.C., 11.00 Welpac, 20 Farringdon Street,

E.C., 10.00 BOARD MEETINGS: Finals: Mosaic Invs. Interims:

Blagden inds. C.S.C. Inv. Tst. City Merchant High Yield Foreign & Colonial Ent. Tat. Johnson Grp. Cleaners Micro Focus Royal Insurance Sleepy Kids Standard Chartered Thomson Corp.

■ FRIDAY AUGUST 13 BOARD MEETINGS: Interims: Argos Harian Maciellan Hidge Malaya Grp.

Company meetings are annual general meetings unless

Please note: Reports and accounts are not normally available until approxima meeting to approve the preliminary results.

19.00

DIVIDEND & INTEREST PAYMENTS

Australia, June M3, private TODAY Singapore, June retail sales, Q2 GDP. Q2 net manufacturing ACT 3.25p inventories, Q2 unit labour Dobson Park Industries costs, Q2 business expectations, Q2 industrial production GEI International 2.47n Grindlays Euro, Gtd. Fltg. Rate 94 \$245.42

Hapoalim Intl. Gtd. Fitg. Rata 2000 \$214.86 Hardys & Hansons 3p I & S Optimum Income Tst. 1.85p Mazda Motor Fitg. Rate '96

Y92,041 Y92,041 Mezzanine Cap. Incoma '01

Norcros 3.50

DKr348 Salvesen (Christian) 4.6p ■ TOMORROW Amarican Express \$0.25

Norsk Hydro 81/4% Nts. 1994

Anchor Intl. Fd. \$0.39 Bass ADR \$0,208 Bristol & West Fitg. Rata '94 £152.81 Henderson Highland Tst.

1.4p Staveley Industries 6.2p United Kingdom 94% Cv. '01 **■ WEDNESDAY** AUGUST 11 Baggeridge Brick 0.75p Caledonian Investments

100 Castinos 3.05p Cohen (A. & Co.) 3.4p Do. A Non-Vtg. 3.4p Electra Inv. Tst. 3.45p Mansfield Brewery 11p Waddington (John) 4.3p

THURSDAY AUGUST 12 Bridgend 0.2p Britannia Bldg. Soc. Fitg. Rat 96 6155.01 Denmanms Electrical 1,9p Martin Currie European Inv. 0.29p National Power 1.2p National Westminster Var. Rate

'08 \$99.35 Ramco Oil Services 1p Renold 1p Southern Business 1,27p Storehouse 2.5p Sumitomo Bank Fln. Gtd. Fitg. Rate 2000 \$87,85 Tanjong M\$0.04 Tesco 4% Cv. Cap. Bds. '05 Willoughby's Consolidated Pf.

0.5p

Do. Stk. 0.5p

AUGUST 13 Bart (A.G.) 1.75p De La Rue 13.15p E.Worcester Water 7.3% Rd. Pf. 92/94 0.88n EMAP 5.825p Hogg Robinson 4p Polar 2p Somic 1.5p Sterling Industries Trinity Intl. 5% Cm. Pf.

FRIDAY

SATURDAY AUGUST 14 Carlton Comms, 71/2% Cv. Suh, '07 2187,50 Readicut 2.81p UMECO 1p

SUNDAY AUGUST 15 Abbott Laboratories \$0.17 Fishguard & Rosslare Rail. 31/2% Gtd. Pf. 1,225p NOVA Corp. of Alberta C\$0.06 Scottish Met. Prop. 103496 1st Mtg. Db. '16 £5.125 Sears 714% Un. Ln. 1992/97 £3.625 TSB Gilt Fund Ptg. Rd. Pf. --

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CONFERENCES & EXHIBITIONS

Standard Chartered, which

settlement system for securities dealing in London eakers include lain Saville. Head of CREST Unit, Bank of England, Bring

rise to between £45m and £75m.

compared to a loss of £18.1m

the last time around.

Finnigan. Head of Settlement Operations, London Stock Exchange and speakers from the legal and IT firms most closely involved in CREST.

Details from: City & Financial

LONDON

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proposals for shanging accounting
standards in the UK. The conference will review the changes and their imp. reported company profits and balance sheets.

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World Mobile Communications nications growth and to together with the challenge of develop a mass market personal communication system. Enquiries: Financial Times

the Environment

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Covering combined transport, road charging, railfreight privitisation, channel tunnel developments. Speakers include Roger Freeman MP, Sir Alastair Morton, Graeme Dunlop, Contact: Isia Dale, The Waterfront Partnership, Tel: 071 730 0430 Fax: 071 730 0460 MANCHESTER

OCTOBER 12 & 13 Retailing in the 90s

The aim of the meeting is to provide a high-level forum to taview the opportunities and challenges lacing the industry, consider partnerships and nneda as well as parfu and profitability. Fax: 071-873 3475/3969

LONDON OCTOBER 14 City of London Derivatives

To be opened by Dr Henry Kantman this Cityforum conference covers the markets, their regulation, maximising their benefits and controlling the risks. Central Banking and The Centre for the Study of Financial Innovation, Swiss Sank Corp, Arthur ersen and Freshfields sponsor. mation: Marc Lee, Cityforum Lid Tel: 0225-466744 Fax: 0225-442903 LONDON

OCTOBER 18 & 19 International Packaging and

conference will look at legislation and the opportunities and problems facing the packaging industry and its custom Co-operation in the packaging chain. racycling or incineration, and ortugities for new uses of resources will be examined. Enquiries: Financial Times LONDON

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Fax: 071-873 5975/3969 FRANKFURT

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CONTRACTS & TENDERS

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FT. Because business is never black and white.

Jerry Kroon, the 46-year-old executive vice-president of manufactur-ing at Fokker Aircraft, was having a mld-life crisis. His confidante, Fokker's 42-year-old marketing

manager, nodded gravely.
Suddenly Kroon had an Idea: "Let's start a company called Fokker Driftwood, for all the people the company can't use in proper situa-tions anymore. We will hire out our services for some of the time and we'll have a ball."

The conversation proceeded in jokey vein, yet it presented the perfect solution to a serious problem There are large numbers of unem-ployed or dissatisfied executives with plenty of experience looking for new challenges. Equally, there are many companies that need extra help from time to time. Companies have elimmed down to sucb an extent that they increasingly find they have no management resources to deal with anything out

of the ordinary.

The answer, as Kroon suggested is to create a new market for "interim managers", employed for finite periods by companies when they are stretched or facing particu-

Some big companies are setting up such markets in house. At IBM some middle managers have been saved from early retirement and put into a special unit of troubleshoot-ers that are sent out on sbort-term assignments. Smaller companies which cannot afford this luxury are increasingly looking to outsiders specialising in interim manage-

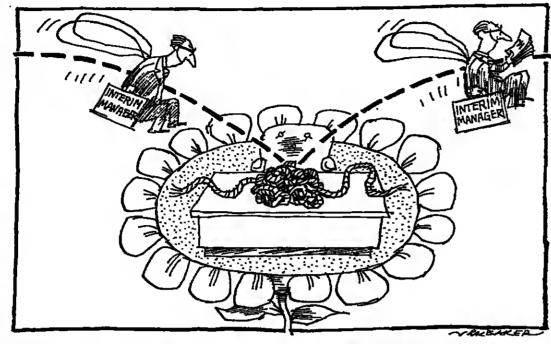
"Interim management? Never heard of it," said Sir John Harvey-Jones, speaking at a recent conference on the subject organised by Learning Curve, the epecialist training company. The remark caused mucb consternation among the established interim managers and

their agents attending the session. Interim management, as these practitioners went on to explain to Sir John, is half way between consultancy and recruitment. The interim manager is there not just to advise, but to implement: to "make it happen". But unlike permanent managers, their contribution is limited in time and during each assignment they remain independent.

According to Martin Wood, director in charge of interim management at PA Consulting, only one in eight large British companies has used interim management. Most of the others either have not heard of it, like Sir John, or have prejudices that prevent them from trying it. One problem is the name. There is no agreement about what interim

Lucy Kellaway reports on companies that have turned to outside managers for help with short-term problems

Troubleshooters for hire



are also known as flexi-executives. portfolio executives, bandymen (after management guru Charles Handy, who advocates flexible working patterns), temporary executives, freelance managers, managers for hire and line consultants. In the US the terms "head renting" and "executive leasing" are also

Whatever their name, their task is a demanding one. Some companies doubt whether an outsider can get immediate results in an unfamiliar environment. It is much harder to be a good interim manager than simply a good manager. According to Wood, the ideal person is aged between 45 and 65, and has senior board experience. They need to be over-qualified for the work in hand, as they will prohably come in late and be expected to sort things

"They must have the skills of a good consultant, and must be able to handle a team. They must not be politicians, hut must wear their hearts on their sleeve," says Wood. They also need to be of independent financial means, as they must never be dependent on any one employer, and they must not be searching for full-time employment.

For the right person the pay is good, anything between £300 and £1,000 a day, which is two to three times the going rate for the job in band. There are no other employ-

The ideal person is between 45-65, has board experience and is overqualified for the work in hand

ment costs, and interim managers can be dispensed with as soon as their services are no longer wanted. The skills of an interim manager improve with time. John Baker has been one for six years and has been involved in putting quality programmes into three companies. "I learned lessons from the first,

applied them in the second, and in the third we put in BS5750 with remarkable ease, against a background of a bunch of guys saying:

We can't possibly do it'."
Interim managers are to be found in an array of peculiar situations. They bave been working at Leyland OAF keeping the company going while the receiver looked for buy-ers. At the long-delayed British Library, an interim manager, who has done project directorships for the Aga Kahn, has been brought in to hurry the project along.

Different companies use them for different reasons. Britannia Life hired an interim manager to help absorb the acquisition of a fellow financial services company. "We needed a thorough review, and needed it quickly," said Peter Bur-don, managing director. He decided not to employ a consultant because "they are isolated and sell solutions. They also run up all sorts of extra costs. An interim manager is

a fixed cost".

two candidates, and the one Britannia chose started work within a week. The experiment was a great success, and the manager is now on the permanent staff.

the permanent staff.

Birky Plastics, a subsidiary of the
Japanese group Marubeni, brought
in an interim manager while a lessexperienced internal candidate was
being groomed for the job. "We
found we could involve the new
man in numerous areas of business without threatening anyone as they knew he was only there for a short time," said Tony Wright, chief exec-

There is potential for friction between the interim manager and the existing staff, many of whom may suspect the outsider and begrudge his fatter pay-packet. Some interim executives think that these problems are best dealt with directly.

"I get the guys together and say: Well, I am taking this job on a contract basis and I am in charge from now on until you are told otherwise.' With a sufficiently menacing glare round the room, nothing more gets said about lt," says

Others prefer the softly-softly route. "You cannot go in there with the assumption that you can plough through it," says Martin Rosenhead who has done interim management work for large organisations including the police and the prisons. "You have got to persuade them that you are not threatening, because they have been used to being threatened. and are well trained to cope with it

for a very long time."

Yet it can all go horribly wrong.

According to John Hird, chairman of the Association of Temporary and Interim Executives, one company hired an interim computer specialist who caused untold damage by buying the wrong computer equipment, while another company took on a temporary finance director who turned out to be unqualified and incompetent.

One answer, says Hird, might be to go through a reliable agency rather than through an "old boy network, as the agency, which has its reputation to defend, should have put more time into selecting the right people. However, this route may cost more: an agency usually takes 25 to 40 per cent of the salary. There are a growing number of agencies - such as P-E International, PA Consulting and Albermarle - which have several hundred interim managers on their

The notion of interim manage-ment will only catch on in a big way if a large enough pool of exceptional people can be found. Good managers are rare enough and, if good interim managers are still fewer and farther between, the marfixed cost". ket may continue to grow slowly, within days the agency identified no matter how persuasive its logic.

Taking quality to heart

Tim Dickson reports a cultural change at Legal & General

or an idea so firmly established in the consultants' lexicon, total quality management has recently encountered a surprising amount of flak. More than one survey has revealed that many companies feel TQM has not delivered the results hoped for. Legal & General, however, is not disenchanted.

Through its "quality development" programme, the large UK life and pensions provider says it has substantially improved its service administration, cut its cost base and boosted its standing with the independent financial advisers which sell its products.

Ontside recognition came when Legal & General won the 1992 Administering Total Quality award of the Institute of Administrative Management But the initiative had its roots much earlier during the boom in life and pensions products of the mid and late 1980s. "From 1988 onwards our

administrative systems were starting to creak," says Ray Wilkinson, manager in charge of the quality programme at L & G's administrative headquarters for high-volume individual products in Hove, Sussex. "With the nuset of the recessinn it was also clear that. like our competitors, our expense base had become too fat."

Faced with a much tougher environment, L & G established three-pronged strategy of which better service was one component. The other prongs were an nverhaul of product design and improved investment performance.

L&G managers involved in the quality programme - which consumed 10,000 work days of training in 1992 alone - believe that efforts to make the continuous improvement philosophy acceptable throughout the company were important to its succes

A policy of open communication pelped, including staff feedback essions over coffee and regular assessments by staff of their managers. Managers cannot hide in their offices (the Hove headquarters has just three)

A questioning attitude is the heart of healthy TQM. After soliciting ideas from employe L & G implemented 800 "projects for improvement" in 1992. Another 2,000 "opportunities for ement" in 1992: These have to be followed through, or the manager has to justify why they are not being pursued," Wilkinson explains. Quality improvement teams,

a "quality council", and the development of a common quality language were all part of L & G's approach. "It is not so much the structure that's important," says.
Wilkinson. "It's the stiftinde and
willingness of people to
implement it." Regular feedback, a system of rewards and

recognition, and competitions between sections are all part of the process. To keep the focus on customer: L & G introduced customer advisory groups – panels of brokers and agents which meet at least every three months.

fed last year into a document called the "Commitment to Customer Service" which represents the centrepiece of L & G's quality programme. It lists turnround times for 38 processes – such as policy quotation, underwriting and claims settlement - alongside the company's results for the

latest and previous quarters.

A better yardstick of progress may be a survey conducted this year by City Research which showed that independent financial advisers rated L & G: number 11 out of 23 life companies in terms of head office efficiency and prompt despatch of documents (against 18th a year ago). On existing policy service and prompt commission payment L&G improved from 18th to 10th and 16th to 9th respectively.

Robin Phions, managing director of L & G's services division, says rival companies have been visiting Hove to learn from the L & G example. He is not concerned about unwittingly giving away secrets. "I don't think we can be copied that easily," he says. "You can mimic a product but not a culture change like ours."

CONSTRUCTION CONTRACTS

access to the M11

The first contract to construct the eastern end of the Hackney Wick to M11 link road at Wanstead - known as contract 4 has been awarded to NORW-EST HOLST by the Department

of Transport. Contract 4 runs from Selsdon Road through to the River Roding covering a distance of L54

kilometres. Work on the £31.5m contract is expected to start in September and will take four years.

Heathrow terminal

COUVES, the Tyneside-based firm of architects, has landed the B.A.A. (Britiah Airports Authority) Heathrow Express extension to Terminal 5 design contract, alongside Bovis and the Richard Rogers Partner-

ship.
The extension is part of the £800m project scheduled for completion in the year 2002 and the firm is currently investigating possible options for the layout and its interfaces with the design for Terminal 5.

John Sisk busy

JOHN SISK & SON has won contracts in June/July totalling £25.5m. They include the refurbishment of the student union building at the South Bank University, refurbishment and conversion at the University of Westminster and refurbishment for the University of Wolverhampton.

Hotel projects

RB FARQUHAR has won contracts worth £1.4m to supply bedroom and bathroom mod-ules for two luxury hotels. The company is supplying 128 bath-room modules for the new De Vere Grand Harbour Hotel in Southampton and 66 modules containing bedrooms, suites and stairwells for a Friendly Hotel being built in Loughbor-

Plant development

COURTAULDS ENGINEERING has been awarded a contract valued at approximately £3.5m by Borden (UK), part of Borden lnc, for the expansion and upgrading of its Peterlee. Co

Improving Hong Kong bridge plan

The first of two giant concrete towers (pictured right), which will support the Tsing Ma Bridge in Hong Kong, has reached a beight of 100 metres, eight weeks after construction

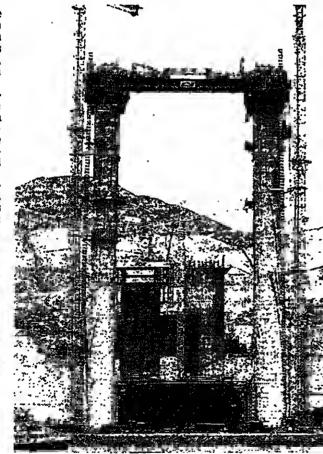
When the project is completed in mid-September the concrete tower, located on Tsing Yi, will be 190 metres the same beight as some of the modern 50-storey office buildings in Hong Kong's central

Work on the second 190-metre concrete tower, at the Ma Wan end of the bridge, is expected to begin in August and be completed in three months.

The towers are being built by a process known as sllpforming, which accelerates the speed at which concrete can be poured. The forms - or sbutters which surround the concrete move steadily upwards. Steel trusses weighing up to

185 tonnes each will be installed to brace the tower legs temporarily as concrete work proceeds. The trusses will eventually be encased in reeinforced concrete and prestressed to the tower legs.

The bridge is being built under a contract awarded last May to the Anglo-Japanese



Road management project in Belarus

TRITTON is working on a project aimed at rehabilitating and introducing effective management of the strategic M1/E30 road link between Warsaw and

Moscow. The road is a major corridor In the state of Belarus linking 11 towns with a population

catchment of nearly three mil-

lion people. The M1/E30, ment is acting as executing although designed to generous agency. standards, is poorly mainmonth project is to establish an effective management and tained and managed.

Rendel, in association with the French company, BCEOM, bas been appointed by the Belarus Government and the European Community. The European Bank for The objective of the four-

development organisation for the road. Within this framework rehabilitation is to be undertaken and maintenance equipment

Rebuilding East Sussex sea defences

kilometre stretch of sea wall betweeo Ovingdean and Rottingdean, near Brighton, as well as to demolish a series of old groynes and construct five new ones at Rottingdean.

The £5m project is for Brighton Borough Council which, with grant aid from the Ministry of Agriculture, Fisheries and Foods, is undertaking a broad scheme of which this is the first of three stages, to

EDMUND NUTTALL has won a contract to reconstruct a one wall between Brighton Marina and the borough boundary at Saltdean.

The undercliff walk, which is Itable to inundation by the sea under quite moderate storm conditions, was constructed in the 1930s by unemployed miners. The groynes have been built up in a number of stages, of varying grades of mass and reinforced concrete, since the

The new reinforced mass

concrete sea wall facing will incorporate a parapet and wave return, the total encasemeot depth varying from 500 millimetres to three metres thickness; the shallower having expansion joints every six metres and those over one

every 18 metres. Five new 105 metre-long groynes are to be constructed at Rottingdean to retain a beach. The two terminal groynes will be rock.

metre thick having joints

Alistair Mitchell-Innes, former chief executive of Isosceles, is becoming non-executive director and chairman designate of Sidney Banks, the Bedfordsbire grain and agriculture specialist. The current chairman, John Burr, who has been in the position since 1980 and is 75 years old, wants to retire

in January next year. "We are not looking for someone to transform our debt situation because we have not got ooe," says Richard Banks, joint managing director, when asked about Mitchell-Innes's

two years at the beavily-indebted supermarket operator Isosceles. "Alistair has wide experience in food manufacturing and that is the direction in which our commany is moving." He has chief executive of Nabisco Group between 1985 and 1989.

Sidney Banks has recently acquired a rice-milling operation as well as a company that trades in spices and coffee.
Mitchell-Innes is also deputy

chairman of H.P. Bulmer and a non-executive director of Next and Evans Halshaw.

Finance moves

■ Mike Webb, marketing services manager, is joining the board of PROLIFIC Unit Trust Managers, as la Gary Marsball, who is moving from Scottish Provident. Caroline Robinson, Prolific European income unit trust fund manager, is joining the board of Prolific Asset Management. ■ James Glancy is moving from NatWest Securities to

become a director of Bell Lawrie White & Co. part of BREWIN DOLPHIN. Annmarie Sasdi has been appointed European marketing director of BZW Asset Management. Clare Doble, city editor of the Independent, is also join-

ing BZWAM as editor of its John Butterworth has been appointed director and head of banking at HENRY ANS-BACHER, part of First National Bank of Southern Africa; he moves from Wasser-

stein Perella. Peter Whelpton, formerly head of the Far East desk of Prudential Portfollo Managers, has been appointed president and investment director of INOOSUEZ GARTMORE ASSET MANAGEMENT

(JAPAN); he replaces Andrew Fleming, who is appointed head of the Pacific Rim desk in

Sean Quinn has been appointed a director within the service product division of SWISS BANK CORPORATION; he moves from Chase Manhat

rector of Dunedin Fund Managers, has been appointed a direc-tor of Clan Asset Management, a subsidiary of CALEDONIA INVESTMENTS. ■ Michael Leather and Gra-

■ Guy Crawford, a founder/di-

ham Thelwall Jones have been appointed directors of RATH-BONE BROS & Co.

Stewart Millman, formerly joint md of de Zoete & Bevan, has been appointed deputy chairman of NATWEST Wood

Mackenzie. ■ David Moore, formerly head of fixed income at BZW investment Management, has been appointed a director of CREDIT LYONNAIS ROUSE. Rick Sopber has been appointed a director of L.C.F.

Edmond de Rothschild Securi-■ Jeremy Gray and Nigel Higgins bave been appointed directors of N.M. Rothschild &

PEOPLE Resort Hotels checks in a

different chairman Resort Hotels, which saw its shares suspended mid July and appointed independent accountants to investigate " a number

Current chairman Richard Strong has resigned, a few months earlier than planned. while Kleinwort Benson deputy chairman Tim Barker, who was named chairman designate of Resort in February, will not now take up that position, remaining as deputy chairman.
Instead. David Tonkinson,

who had been deputy chairman until Barker was appointed, now becomes chairman. In February he "happily of financing and reporting stood aside for someone with issues", has changed its plans as much prestige as Tim as much prestige as Tim regarding the chairmanship Barker" as Robert Feld, who resigned as managing director when the shares were suspended, said at the time.

Barker explains that Tonkinson has "got the time avail-able". He lives fairly near Resort's Brighton office and is "largely retired". Barker says. Tonkinson is a former managing partner of the Brighton office of Grant Thornton.

Talking and walking like a retailer

Following an internal reorganisation designed to sharpen its retailing skills, Post Office Counters has brought in Mike Flanagan to the new board position of network director.

A marketing man who has

worked with Gateways, BP; Lenscrafters and Wickes, he is the only one of the six-man board who has been recruited into his current position from outside

Post Office Counters, which runs 20,000 post offices and hence claims to be the largest retail network chain in Europe. bas been slimming down its head office and transferring more accountability to retail

network managers. Under the new etructure, each board member also has line management responsibilities for one or more regions, with Flanagan looking after the South East and Scotland and Northern Ireland.

Much of Flanagan's new network job had previously been performed by an operations director.

Flanagan, 44, says his aim is to dispel the "feel of going into a government office. We have 19,000 independent dealers; we need to get them to start using the vocabulary of shopkeepers not civil servants. They have to start talking, then walking, like retailers."

in the last decade, Flanagan has moved about a bit. From an advertising background, he became marketing director of Fine Fare and Gateway in the mid 1980's before moving across to BP in 1987, where he



During his three years he set up convenience stores at several hundred European petrol stations and sharpened up mer-chandising standards in others, in Europe, the US, and South East Asia

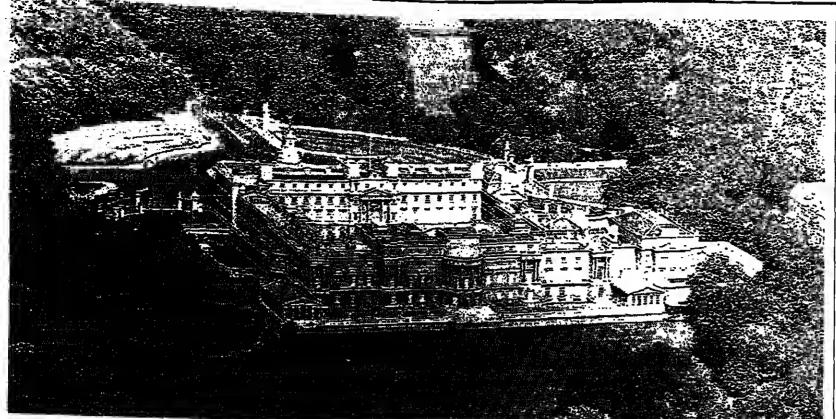
He was briefly managing director of Lenscrafters in the UK, but was edged out when the company hit the recession in its home US market, and sent an American over to run the UK side. He then became marketing and buying director of Wickes Building Supplies, but fell out with his managing director six months ago.

He intends to stay at the Post Office, however. "Pd be amazed if I were not here for the rest of the century."

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Rediscovery: John Nash designed the facade at the rear of Buckingham Palace – the more familiar front was modelled in 1913

The Palace that Nash built

Colin Amery on the architectural delights awaiting visitors to Buckingham Palace

s the doors of Buckingham Pal-ace open to the general public for the first time, it is a good moment to look at the architectural quality of London's royal quarter. Visitors who stand in the inevitable queue for their admission tickets in The Mall will find themselves on the very spot which was, until the early years of this century, the centre of an architectural debate about the appropriate metropolitan setting for the British monarchy. Looking westwards down The Mall today towards the familiar balcony front of the palace what we see is the solid, unsmiling imperial world of 1913.

King Edward VII's wish to commemorate his mother's reign led to a national competition and public appeal in 1901 for the Queen Victoria Memorial. This was won hy Sir Aston Webb and there were sufficient funds left over for the refronting of Buckingham Palace - a cover-up in Portland atone of the crumbling facade that Edward Blore had designed for Queen Victoria. This heavyweight axial arrangement at palace end of The Mall is matched by the re-ordering carried out at the Trafalger Square end where Sir Aston Webb built the Admiralty Arch in 1910.

The joyous revelation that has been made possible by the opening of the palace to the public will be the rediscovery of the world of King George IV and his architect John Nash that still lies behind the somewhat rigid and reserved public face of the palace. King George V appreciated Sir Aston Webb's efforts to make the palace appear ship-

sadora! The first name is enough.

and she haunts us still. Whatever

Isadora Duncan was in her life free soul and freed body, the inspishape, and knighted Sir Thomas Brock on the spot for his 13-foot high solid marble figure of Queen Victoria, but it was the earlier King George who was responsible for supporting the artistic and architectural achievement of Nash

which can now be shared by the public. When the Prince Regent became King George IV at the age of 58 in 1820, there was a sense manifested at his coronation that he represented a victorious and thriving nation. It was felt that the effectiveness of the monarchy as a symbol of national pride would be conveyed with more conviction if it could be associated with e metropolitan palace of distinction. St. James's had long been considered poverty-stricken, Kensing-ton Place too modest, Hampton Court and Greenwich too far away, and Carlton House too close to the street and not grand enough for a monarch. The nearest thing to a palace was

undoubtedly Buckingham House, which King George III had purchased in 1762 and settled upon his consort. It occupled large grounds and had important family associations, as all George IV's brothers and sisters had been born there. This was the house the king decided to expand and virtually rebuild with Nash'a help. There is no doubt that King George IV and John Nash shared a vision of London as an important and beautiful European capital. The construction of Regent Street, the laying out of Regent's Park, and the replacement of Cariton House by the great stucco Carlton House Terraces. are all part of this vision. The picturis largely the design of Nash and it brought a particular relaxed Englishness to the palatial formality he was to build on the site of Buckingham House.

Summer visitors to the palace will enter by a side door hut will soon find themselves in Nash's quadrangle which they will cross to enter the state apartments through Nash's grand entrance portico. The original Nash palace was a three-sided building open to The Mall, and roughly where the gates are today stood the Marble Arch as e triumphal entry to the royal domain. It is worth remembering that the architect had the restraining bones of old Buckingham House to deal with, which had been added to hut was never really seen as a palace. Also, he was always under financial scrutiny and his client had the reputation of letting money slip through his fingers with remarkable ease. Despite all this Nash achieved a suite of state rooms that is one of the architectural secrets of Europe.

Although some of their decoration has been modified the major rooms (with the exception of the Picture Gallery) can be seen as largely Nash's creation. The rooms with their furniture represent the final flowering of the king's Francophile taste and reflect also the influence of Charles Long, Lord Farnborough, who was the éminence grise behind all George IV's huilding projects. What visitors will enjoy is the very high standard of craftsmanship sculpture in all the rooms. Nash rightly brought lo the palace the best

carvers, sculptors and craftsmen he

Each room is both dignified and rich: the Green Drawing Room and the Throne Room on the courtyard side have a ceremonial distinction that sets them apart from some of the more relaxed hut equally rich rooms on the garden side. Nash was good at smaller rooms, too, and at arranging for a sense of theatre as visitors progress from the low-ceilinged ground floor rooms to the grand staircase and the remarkable

mirrored enfilade of the state rooms.
Originally George IV had intended
Buckingham Palace to be his private London residence while be used the refurbished state rooms of St James's Palace for his Court functions and ceremonials, It was his buoyant enthusiasm for Nash's new palace that brought about the decision to use it as a state palace. It was this decision that was responsible for the immense enrichment of the state rooms, especially the elahoration of their gilded ceilings. It is important to remember that it is the Edwardian redecoration of Buckingham Palace that gives it that overall air of red, white and gold. When Nash had completed his work there was more colour, more silk on the walls and a less institutional feel to much of the palace.

To see the state rooms today is still an immense thrill because they represent one of the most original architectural achievements in any European palace: they retain to a degree that particular sense of English splendour that is both low-key and sumptuous.

sober-sided - not a quality one would associate with Duncan. At its best, in Orfeo's two Laments and the Dance of the Blessed Spirits, the dance had a simplicity and e gestural clarity (arms slowly raised, bodies held in sculptural poses) that touchingly told of Duncan's worship of the antique. Other sequences were too innocent in means. and what was proposed as Duncan's own dances for the Furies did no ser-

example. The Duncan Dance Group (Duncan went to Russia in 1921 to teach the children of its new society to training inspired by Duncan's ideals. can's dancing was "Something uttered

Theatre/Malcolm Rutherford

The Basset Table

usanna Centlivre, who died in 1723, is baving a pretty good year. After well over a century of neglect, two of her plays have been produced on the London fringe in the past few months and, on the evidence so far, one must hope for more.

Ms Centlivre was one of the first women playwrights. As a contemporery of Congreve, Farquhar and Wycherley, she had a lot to compete with. She was also prolific in her output and one wonders now, with obvious hindsight, whether she was perhaps the most interesting of them all. Today some of ber topical references seem obscure, but no more than in

Her talent was not so much to write good plays - her plots and suh-plots are all over the lace - as to write good parts. Sbe did so in abundance. When The Artifice was revived at the Orange Tree in Richmond earller this year, I was struck hy the sheer number of roles - Mr Watchitt and the Widow Heedless, for examples - that any actor or actress would like to have played.

Now that The Basset Table is appearing at the New End Theatre in Hampstead, another compliment is in order: Ms Centlivre wrote some very good scenes. Basset is a game

previously unknown to me. It appears to consist simply of wagering which card will come up closest to your own, with the odds lying beavily in favour of the banker. It is mucb more primitive than (say) pontoon and entirely

devoid of skill. At Hampstead they seem to play it with 2p pieces, no doubt as a symbol of the shoe-string nature of the theatre. Yet precisely because the game is so primitive. it brings out the eddictive nature of the gamhler, and in the women more tban the men. The specific scene at the table, where they cbeat under and over the counter, is magnificent, almost forerunner of subsequent Hollywood movies about other games for higher stakes.

Yet that is not all. The Basset Table contains a wonderful female character in Valeria, whose interest in the gaming table is non-existent. Played hy Geraldine O'Connell, she is a scientist and philosopher who dissects animals in the pursuit of knowledge about the human condition. "Cousin." she says to another woman, "I'll give you this jewel for your Italian greyhound," which she intends to cut up.

In a later period Valeria might have been called a hlue-stocking. Ms Centlivre, howthat. Valeria is a most attractive lady who dresses well. knows the man she wants and gets bim in the end.

It is tempting to say, end some people do say, that this was the advent of feminism. Valeria is attacked for ber interest in science not only by her emharrassed father, but by the rest of the females. "Ridiculous learning." says one. "Ridiculous, indeed, for women." says another. "Philosophy suits our sex as jackboots would do." My own view is that Ms Cen-

tlivre was remarkably evenhanded. Some of the men are dolts as well as some of the women; some of the men, such as Tony Tarrats as Sir James Courtly, are also clever and generous. She gives an overall, accurete view of society, and she does it in such a sprightly fashion that this production by the Company of Clerks deserves a bigger showing than the tiny Hampsteed stage allows. The list of good parts (13 in all) extends all the way down the line, notably Constance Byrne as Mrs Sago. Between them the Orange Tree and the New End have begun a major work of restoration.

New End Theatre Hampstead nntil Angust 29. (071) 794 9963

Music/Paul Driver

Goehr at Tanglewood

anglewood is the most celebrated and influential of America's numerous summer music festivals. With its concert series and renowned summer school for performers and composers - the Tanglewood Music Centre - it is hlessed beyond its musical distinctions with as romantle a site and mountain prospect as can he found anywhere. Dating back to the early 1930s, the festival has from the start been a major enterprise of the Boston Symphony Orchestra, whose then conductor, Serge Kousseyitzky, created the school and selected the architect (Eliel Saarlnen) for the famous 'shed" – an enormous radial structure, open at one end to the elements, but possessed of remarkable acoustics - which since its 50th anniversary, in

1968, has borne his name. Beyond the shed's slender posts stretch immense lawns shaded by a fantasy of lofty trees and decorated by topiary hedges, a vine trellis and a recently installed "analemm tic" sundial. Besides the shed, there is a "theatre-concert hall" for recitals, student concerts and the events of the subsidiary Festival of Contemporary Music. A new concert hall now being built will release the theatre-concert hall for operatic productions by the TMC. The shed seats 5,000. When the lawns are fully occupied, the total capacity is well over 16,000, and the feeling is truly

of a "national" occasion. The main (orchestral) concerts take place on Friday and Saturday nights and Sunday aftarnoons throughout July and August - a total of 22 appearances by the BSO this year, in programmes making a feature of Tchaikovsky and Rakhmaninov, respectively 100 and 50 years dead. Very much alive - nearly 61 years old - is

the British composer Alexander Goehr, who is in residence the summer long to teach the TMC composition fellows and enjoy a "mini-festival" of performances of half a dozen of his own works, including a repeat of the 25-minute piece Colosses or Panic, Op. 55, writ-ten to a Koussevitzky commission for the BSO and premiered et Symphony Hell, Boston, last April. (It was warmly welcomed on this page hy Paul Griffiths.) The Goehr context was

nicely sketched in a "Prelude" concert by the Tanglewood Festival Chorus - his o cappella Imitotions of Baudeloire (1985) - and the three pro-grammes forming the first half of this year's contemporary music festival. Composer-conductor Oliver Knussen has been in charge of the latter for seven years, and for this his last festival he has chosen to arrange the concerts in two "clusters" separated by three weeks. Treats such as Stockbausen's Gruppen for three orcbestras are in store for the end of the month.

Meanwhile we have had some sufficiently fascinating evenings. On August 1, for instance. TMC players and conductors began with Robin Holloway's aptly mosquitoey and stickily-irritable Summer Music (1992), proceeded to a dynamic. high-definition Stefan Wolpe quartet (From Here On Farther, 1969), Hanns Eisler's amazingly deft. deliciously fleet Fourteen Wnys of Describing Roin, Op. 70 toriginally a film score, and a rare and tantalising hit of Busoni (the Red Indian-inspired Song of the Spirit Dance, from 1915). before ending with Coehr's superbly cogent and touching Little Symphony, Op. 16 (1963), in an account under Knussen's own direction that was a model

Coehr's fine piano trio (1966) had been played the previous night; and the following night brought his ambitious and curious song-cycle to Frank Kermode's elaborate cento of English poems, Sing, Ariel, Op. 51 (1990), conducted by Knussen, its dedicatee. The work is curious not least because the instrumental parts, or at any rate the piano and double-bass commandingly lyrical than the mezzo-soprano (Lucy Sbelton) herself or ber two soprano accomplices.

The big Goehr orchestral piece, given on a Sunday afternoon programme under (as before) Seiji Ozawa, also struck me as curious - impressive. original, felicitous, but not untypically evasive in sensibility and gesture. I find it nearly impossible to relate the music to the alarming Gova image on which it is allegedly founded.

The colossus to which the two movements do react is more likely the monster of Musical Tradition self-proclaimed "symphonic fragment", not a symphony. It seeks to avoid and yet has heen partially crushed by the giant foot of the Past. Steeped in traditional rbetoric, the music nonetheless attempts to reduce it to ridicule.

The two movements seem uncertain of their precise function while toying with symphonic archetypes. A scherzoand-trio form is huried in the first (and longer) of them. The second, marked Maestoso, evokes the pulsing string lines, the ecstanic melodic sequences of a Bruckner Adagio, but instantly wrecks such expressivity with ironic measured clops of the celesta. There is great heauty, though to he found in ruins, and Ozawa's confident reading revealed it in all its strangeness.

rational dancer of her great years or the sagging relic of the last days in Nice she reverberates through the artistic typical of her as it was in its enthusiconsciousness of our century as have few other women. Extraordinarily, for a dancer whose legacy to us is no more. than a frayed reputation and some glorious photographic images, Isadora still inspires, is still emulated. So. on Wednesday, the Royal Festival

Hall's jolly Ballroom Blitz season (all kinds of dance for all kinds of people) held a Duncan Day. There were videos, classes a performance of dances from Gluck's Orfer tsome ascribed to Dun-cin, others made in what is believed to he her sryle) by performers from Moscow, Paris and London, to indicate the continuing and persistent image of that heroic figure whom we see caught between the portals of the Parthenon Edward Steichen's camera.

Today Duncan's life matters less -

Dance/Clement Crisp Isadora's Day

asms and impracticalities - than the idea of what she did. Gordon Craig, father of one of her children, told of the excitement of her presence. "She was speaking her own language ... and she was telling to the air the very things wa longed to hear and until she came wa never dreamed we should hear, and now we heard them, and this sent us all into an unusual state of joy." This image of the ecstatic dancer, immeasurably beautiful in her message, is what her public and her pupils treasured, and it is one we treasure still.

No film exists of Duncan. We know her through legend, through myriad drawings, through Steichen's and Steig-litz's photographs. "Duncanism", as a way of movement, was perpetuated after her death by pupils, but little of

what I have seen of reconstructions has persuaded me that this could inspire artists and thrill andiences as did Dun-can's every move. Probably the best indications of Duncan's manner came from Asbton's Brahms' Woltzes for Lynn Seymour, where dancer and dance beautifully imagined ber presence; from Vivienne Pickle's astonishing impersonation in Ken Russell's television study: and from the icint performances of Merle Park and Mary Miller in MacMillan's Isadora. What we sensed in these homages was the intoxication of Duncan's movement, and its communicative grace and power.

Wednesday's dutiful exposition hy dancers and pupils from the Moscow School of Music and Movement, and the London-hased Isadora Duncan Dance Group, was something altogether more

vice to her memory or to Cluck.

Yet Isadora still speaks to dancers, he lt in spirit messages - which these dances really were - or as educational plainly reveres ber example. A Moscow Duncan Academy existed until 1946. dance.) The Moscow performers are from a school lately founded to provide Edward Gordon Craig said that Dunon the divine theme". We can do worse for the young than show them this.

INTERNATIONAL

BERLIN

THEATRE Metropol-Theater has daily performances of Evita from tomorrow hil Sun (2036 4117). Kornodie has daily performances of Nail Simon's play Funaway (882 7893). Freilichtbahne an der Zitadelle has open-air performances of Shakespeare's A Midsummer Night's Dream daily from temorrow till Sun, followed next week by Schiller's The Robbers (331 6925). The Schaubuhne opens its new season on Aug 20 with Georg Kaiser's expressions: drama From Morning to Michight (890023)

MUSIC/DANCE There are daily ,arz and pop concerts at Elerschale I, il and III /832 7097, ES2 5365, 272 7370). The 1993-4 season at the Deutsche Oper begins with a Ring cycle, first night Aug 24 (341 0049), Merce Cunningham Dance Company appears at Staatscher unter den Linden on Aug 25, 26 and 27. Daniel Barenboim conducts August Everding's open-all stating of the Zaubenlöte at Waldbühne on Aug

29, with e cast led by Peter Seiffert and Eva Mei (200 4762). The Berlin Festival opens at the Philharmonie on Aug 31 with a Mahler concert conducted by Barenbolm (254890)

BONN

Belgian pianist André de Groote gives the second recital in his complete survey of Beethoven piano sonatas tomorrow at Beathoven-Haus, continuing every Tues till Sep 28 except Sep 1 (632500). Bonn Opera opens its 1993-4 season on Aug 28 with Prokofiev's ballat Romeo and Juliet, followed on Aug 31 by the first of five performances of the new Lyubimov/Schnittke music-theatre piece Hommage to Zhivago (773667)

DRESDEN

Dresden Philharmonic Orchestra gives open-air serenade concerts at Schlosspark Pillnitz on Sat and Sun (also Aug 29), featuring music by Dvorak, Dittersdorf and Mozart (4866 666). Giuseppa Sinopoli and the Dresden Staatskapelie open the new season at the Semperoper on Aug 29 with the first of three symphony concerts (4842 323)

■ FRANKFURT

 Frankfurt trombonist Albert Mangelsdorff gives the last of this summer's open-air jazz concerts in Palmangarten on Thurs, with his American trio partners Eric Watson and John Lindberg. The concert begins at 19.30 at the Musikpavillon, nr il raining at the Palmengarten

ellschaftshaus. The 1993 Frankfurt Festival opens on Sep 3 et Alte Oper with the first of two concerts by St Petersburg Philharmonic Orchestra. Other guest ensembles include Ensemble Modern, Wiener Akademia original instrument group, National Youth Orchestra of Great Britain. Young Israel Philharmonic, Budapest Festival Orchestra, Chamber Orchestra of Europa and La Scala

■ GENEVA

Philharmonic (1340 400)

Hôtel de Ville Tonight: Dee Dee Bridgewater, jazz. Wed: Pascal Verrot conducts Orchestre de la Suisse Romande in Britten's Les Illuminations (Audrey Michael) end works by Boccherini, Bizet and Roussel. Sun: Philippe Girard conducts works by Rossini, Mozart, Bizet and Milhaud, Next Mon (in Victoria Hall) and Tues: Eric Ericson directs Drottningholm Baroque Ensemble and Chamber Choir in music from Drottningholm. Further orchestral concerts on Aug 18, 20, 24, 26, plus a plano recital by Roland Pöntinen nn Aug 19 (312

4353) Théâtre de Verdure Wed: Bob Wilber jazz quintet. Aug 18: The Real Group vocal quintet from Sweden meets Lena Willemark. Aug 23: piano evening with Hend Chaix-Francois Magnin and Jean-Loup Muller. Aug 25: Dry Throat Fellows, 1930s jazz. Aug 27: Stockholm Jazz Orchestra (386

■ NEW YORK

THEATRE Kiss of the Spider Woman: a Kander end Ebb musical, based

on the novel by Manuel Puig. directed by Harold Prince, with e star performance from Brent Carver as the heroic homosexual window dresser (Broadhurst, 235 West 44th

St. 239 6200) Angels in America: tha first half of Tony Kushner's epic, freewheeling play about gay life, Reagan-era politics and Mormonism. Not to be missed (Walter Kerr, 219 West 48th St, 239 6200)

 Tha Sisters Rosenswaio: Wandy Wasserstein's play, e comedy with serioua undertones, about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200)

 The Perfect Ganesh: Terrence McNally'a polgnant play about two middle-aged American woman from Connecticut making a pilgrimaga through India (City Centar Stage 1, 131 West 55th St, 581 1212)

 Jelly's Last Jam: an adventurous and beautifully mounted tribute to the great jazz pioneer Jelly Roll Morton, written and directed by George C. Wolfe (Virginia, 245 West 52nd St, 239

 Forbidden Broadwey 1993: Gerard Alessandrini'a musical satire of current Broadway hits, including spoofs of Julie Andrews and Tommy Tune (Theater East, 211 East 60th St, 838 9090) MUSIC/DANCE

 Mostly Mozart Festival: William Christia conducts Les Arts Florissants in tonight'e concert performances of Purcell'a Dido and Aeneas and Charpentier's Actéon. George Cleve conducts this week's Mostly Mozart Orchestra concerts, featuring planist Horaccio Gutierrez and violinist Gil Shaham tomorrow

and Wed, and planist Imogan Cooper and flautist Jean-Pierre Rampal on Fri end Sat. A chamber music concert on Thurs features violinist Joseph Silvarstein, soprano Harolyn Blackwell and others. The festival runs daily excapt Sun till Aug 21 (Avery Fisher Hall 875 5030)

New York City Opera: this

week'a repertory conelsts of Tosca (tomorrow and Sat afternoon), La bohema (Wed), Carmen (Fri) and Romberg'a The Student Prince, which begins a 15-performance run on Sat evening. The first new production of the season ia Tippett'a The Midsummer Marriega, opening on Sep 9 (State Theater 870 5570)

■ STUTTGART LUDWIGSBURG FESTIVAL

Antonio Meneses and Cecile Licad give a recital of cello sonatas on Thurs, lollowed by e concert of Spanish guitar and choral music on Fri with the Academy of St Martin in the Fielda Chorua, plus flamenco singers, percussion and guitarists including Paco Pena. Sat: Deon van der Walt song recital. Next Mon: Barbara Hendricks, Aug 25: Neville Marriner conducts ASMF. Aug 26: Anne Sophie Mutter. Tha festival runs till Sep 28 (07141-949810)

■ VIENNA

 Tha final week of open-air performances in the palace gardens of Schönhrunn features a Moscow Chamber Ballet staging of Mozart's Requiem tonight and tomorrow, end Vienna Kammeroper'a staging of Don Giovanni on Wed, Fri and Sat. The Schlosstheater at Schönbrunn opens a week of

Mozart opera performances on Aug

of keenness and clarity.

 Gldon Kremer is violin soloist with Asian Youth Orchestra in a programme of Schnittke and Sibelius at Konzerthaus on Thurs. Other events this week include chamber music recitals with violinist Christian Altenburger and friands et Konzerthaus tomorrow and Wed an operette concert with Heinz Zednik and other soloists at Theater an der Wien on Thurs, a German Youth Orchestra concert conducted by Lothar Zagrosak at Arkadenhof on Fri and e Mozart, Haydn and Bartok orchestral concert directed by Sandor Vegh et Theater an der Wien on Sun. There is also a series of Schubert song recitala at Lichtental (4000 8410)

ZURICH KYBURGIADE

The chamber music festival at Kyburg Castle near Winterthur opens on Thurs end continues with daily avents fill next Tues. Its unique atmosphere stema from the open-air courtyard setting and tha participation of one of Europe's leading young string quartets, tha Carmina Quartat. They are joined this year by the Vienna String Sextet, the Orlando, Cherubini and Manfred Ouartets, the Basle Madrigal Soloists and clarinettist Michael Collins. The programmes ranga from Mozart, Baethoven, Brahms and Dvorak, to less familiar music by Bruckner and Fanny Hensel-Mendelssohn (Booking at Winterthur Tourist Office 052-212 0088, or Musikhaus Jecklin in Zurich 01-251 5900)

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quide city by city.

Wednesdey: Festivals Thursday: Festivala Guide. Friday: Exhibitions Gulde.

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Moscow 1130; 2230 Sunday Super Chennel: West of Moscov 1830 Super Channel: Financial Times Reports 1900 Sky News: West of Moscow 0230: 0530 Sky News: Financial Times Reports 1330; 2030

hai is to be done with Britain's coal? There it lies underground. some 2bn tons of it: enough to power the nation - in theory. at least - for several hundred years. But after nearly a mlllennium of working, the cheap coal has gone. The world has vast new reserves to exploit. and British coal no longer repays the cost of digging it up. In pure economic terms, what is the case against clos-

ing the pits tomorrow? The point can be put another way. The world bas a finite stock of hydrocarbons. Eventually, as they start to run out, the price will rise. That may take another century or two; hut at some point, Britisb coal will acquire a value again. Is it not in the national interest meanwhile to leave it where it

The coal industry has a standard answer to this. Even if you stop mining, the pits cost £2m a year each to maintain. If you do not maintain them. they collapse. In that case, if you wanted to regain access to the coal, you would have to dig pits again from scratch, at a cost in today's money of £400m-£500m each, Meanwhile, you are left with huge liabilities in terms of redundancy, industrial sickness and land

In the long run, none of this makes real economic sense. The liabilities are a matter of historical fact: the only question is when they are to be addressed. As for the cost of new pits, that is simply part of the calculation. If the coal price is high enough to justify it, well and good. If not, good

But hang on, says the coal lohby, If you shut the pits, you are throwing away two kinds of asset: the coal Itself, and the means of getting to it. And in terms of the national interest, if you import coal, what about the halance of payments?

This does not make economic sense either, if a thing costs more to ohtain than it will sell for, it is not an asset. There is quite a lot of gold and silver underground in Britain. It stays there because it costs too much to recover. No one suggests digging it up regard less, as a means of helping the trade halance. Subsidising production for the sake of import substitution is simple ineffi-

And British coal is massively subsidised. The director general of electricity supply puts the amount, in the form of an artificially high coal price, at £2.3hn over the past three

No more buried treasure

The economic argument is winning in the UK coal debate, says

Tony Jackson years. That cost is paid by the British public. through a higher electricity price. As a tax on business it is a misallocation of resources. As a tax on individuals it is wickedly regressive. since it hits hardest those who spend most time at home: the old, the sick and the

As for the asset value of the pits themselves, that is mostly depreciated. Where it is not, there is still no point in throw-ing good money after bad, There is an analogy to be drawn from the oil industry. Installing a platform in the

China still has rich seams of coal because it is at an earlier stage of economic development

North Sea costs around £500m, the same as sinking a pit. The oil company will carry on producing until the running costs are higher than the value of the oil it will then shut the platform down. This involves environmental liabilities, just as with coal. There is also the same option of going back for the remaining oil a century hence. The sums may be tricky: but even if they showed the investment to have been misconceived in the first place, no commercial oil company could convince its shareholders that it should therefore go on running it at a loss.

It might be argued that to characterise the whole British coal industry as uneconomic is too sweeping. Certainly, opencast mining is profitable, and a handful of pits might be so. In pure economic terms, there is one simple way to find out. Let each plt operate as a separate

commercial entity, competing freely on price. The obvious risk is that short-term pricecutting could prove so ferocious as to drive inherently viable plts out of business. But it should not be hevond the wit of government - which still has a hand in setting the UK coal price - to devise some kind of transitional arrange-

Above all, the coal industry is now so small as to be in economic terms almost irrelevant. The whole value of Britain's coal reserves at today's price is roughly equal to a month's output of the national economy. In turnover terms. British Coal is smaller than Bass, the UK brewer, and half the size of J Sainshury. the British supermarket chain. It still employs 20,000 miners, and to put them out of work would be atrocious. But these are atrocious times. BT laid off 19.000 workers on a single Friday in July last

The political dimension, of course, is something else again. The government tried to wash its bands of the whole affair by privatising electricity. thus aiming to expose the coal industry to the free market. But as it found to its consternation last October, coal still strikes an atavistic cbord with the British voter. The whole of tbe foregoing argument is therefore in one sense irrelevant. However much the government accepts the case, it will proceed only timidly and

But in another sense, it is the political argument that is irrelevant, Production of British coal has fallen remorsely for almost 40 years, as has the number of miners. In 1955, Britisb Coal's staff totalled over 700,000. It is now 44,000. In other words, over the long haul the economic logic is winning. It is worth putting such figures in context. Between 1973 and 1990, British coal production fell hy 22 per cent a year on average. Across Europe as a whole, production fell by 23 per cent.

The reason is ohvious enough. Europe led the world In the industrial revolution. and used coal to do it. A country like China still has mas-slyely rich seams of coal because it is at an earlier stage of economic development. If there is cheap coal to be bad elsewhere, the industrialised nations should count themselves fortunate. The demise of British coal is

not a sign of decline. With

luck, it should he a sign of

or three years Fiat Auto has been living for tomorrow. Beset by the woes of the present - a plunging market share and crumbling profitability - Fiat has been forced to break with the traditions of auto industry secrecy to trumpet abroad its future product plans long before their launch dates.

From 1992 to 1999 Fiat Auto, the car and light commercial vehicles subsidiary of Italy's leading Industrial group, is planning to spend L40,000bn (\$25bn1 mainly on capital investment and research and development. Between 1992 and 1996 it is promising the launch of 18 models.

lt has been darkest just before the dawn. Last year Fiat's automotive operations plunged into an operating loss of L544bn after a three-year slide from an operating profit of L2,362hn in 1989. Its share of the Italian market, once an impregnable domestic fortress. bas tumbled in only four years from 60 per cent to a historic low last year of 44 per cent.

In 1988 and 1989 it was proudly challenging the Volkswagen group for leadership in west Europe, as both carmakers hovered at about 15 per cent of the new car market.

But burdened by a humdrum product range and under severe attack from foreign rivals at home. Fiat's fortunes have waned. By last year its share of the west European new car market bad shrunk to only 11.9 per cent, while Volkswageu had surged to 17.5 per cent. The Fiat group, which includes Alfa Romeo and Lancia as well as Ferrari, Innocenti and Maserati, fell back to fourth place last year as it was overtaken hy hotb General Motors (Opel/Vauxhall) of the US and PSA Peugeot/Citroen of France, It has lost further ground in the first half of this

Virtually all of Europe's leading carmakers bave been forced on to short-time working this year in the face of a precipitous drop in demand new car sales fell by 17 per cent in the first six months hut Fiat was already forced to start cutting production in late 1990. lt cut 259.000 vehicles from 1991 output, 230,000 last year and 173,000 in the first six months of this year alone.

However, It insists that the steep decline in west European car sales and the resulting fierce financial squeeze is not yet forcing it to rein in its capital and research and development spending - as at its arch-rival. Volkswagen.

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Fiat is pinning its hopes on a model launch and a showcase 'integrated' factory, writes **Kevin Done**

Man and machine in harmony

Now, finally. Flat is poised for the counter-attack.

At the end of this month it will unveil in Turin its Punto small car range, the model that will eventually replace the cur-rent Uno and will become the most important single model in the Fiat range. The Punto alone will account for more than 40 per cent of the group's total European sales.
The development of the

Punto represents much more than just a new car for Fiat. however, to take on rivals such as the Ford Fiesta, the Opel Corsa, the Renault Clio and the Nissan Mircra. In the dusty plains of the Mezzo Giorno in the deep south of Italy, Fiat is also transforming the way that it huilds cars with the construction of Europe's most modern car plant.

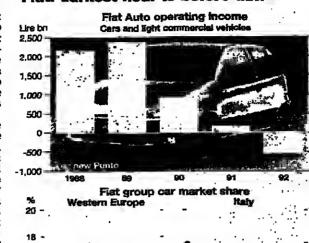
The factory at Melfi, which will begin trial output of the Punto in September and volume production in January, is the showcase demonstration for Fiat's new theology of the "integrated factory", which it has begun to test out selectively at its existing plants in the past 18 months.

Melfi has all the advantages of a greenfield site, a clean drawing board and a new workforce free of the legacy of old industrial practices. The average age of the Melfi workforce is 26 compared with 46 at existing Fiat plants. It promises a substantial leap in productivity to match the best Japanese levels, and will revolutionise the way that Fiat deals with its component sup-

Melfi ls supposed to move car manufacturing into a new era beyond the much-vaunted lean production of the Japanese carmakers. There is no office building. All technical staff are being moved into the plant beside the stamping, welding, paint and final assemhly lines. Work teams are heing enlarged to include their own engineering and maintenance specialists in a new form of factory organisation.

Melfi also represents a stark change of tack hy the Italian carmaker from its foray into

Fiat: darkest hour is before dawn



89 96 91 the extremes of automation at its Cassino plant in the mid-1980s, where it took the robo-

levels never dared hy any The Cassino automation experiment was a demonstra-tion of strength by Fiat to the

tisation of final assembly to

The Punto will account for more than 40% of the group's total European sales

trade unions - after years of industrial strife - that robots could take over many assemhly functions from workers. The robots have danced at Cassino, hut the extreme automation has never ylelded the planned for productivity bene-

At Melfi the accent has

changed. "Cassino was focused on 'hard' issues. Melfi is about 'soft' issues," says Paolo Cantarella, Fiat Auto chief executive. "The integration of man and machine is different at Melfi. It is about how to organise activities, to involve people, to train them and keep them motivated in the job, rather

than how to put the wheel on

the car. We know how to do

The development of the Punto and the Melfi plant mark, too, another watershed for Fiat in development and engineering. For the first time it has developed a new car with a multi-functional "platform team", drawing its own. specialists from different functions within Fiat, ranging from design and product engineering to manufacturing engineering, purchasing, finance and

marketing.

Fiat claims that it has reduced the development time

of the Punto to 36 months, thus cutting at least a year from its previnus development pro-

The stylish and urbane Cantarella, chief executive of Fiat Auto since 1991, chose himself to be a member of the Punto project team. "This was the first time we have developed a car in this way, and it was important to eliminate opera-tional problems from the start. I was very involved in problem-solving, and it was vital to shorten the decision-making process. This car is most important for our balance sheet. And I am a car guy."

With little to boast about in the present, Cantarella prefers not to dwell on the group's financial performance. Instead, he takes important visitors on a tour of the Fiat styling stu-dies, enthusiastically removing the dust covers from the cars that are supposed to restore some of the glitter to Flat, Lancia and Alfa Romeo.

Carmakers are normally allergic to revealing future products before they are ready for launch, but Cantarella is eager to show how the future will take shape. He reveals the large new Alfa Romeo saloon to replace the 164 probably in 1996, and already for the end of next year a new Alfa Romeo coupé and convertible.

At the Fiat safety centre in Turin, where crash tests are performed on more than 300 cars a year, he readily points out the wrecked prototypes of a new Fiat Tipo for 1995 and the replacement Alfa Romeo 33

Cantarella has been con-cerned at the lack of glamour of current products but he is alming to change the group's image by introducing a num ber of small-volume niche products to add excitement to the main volume models, mainly coupes and convert-lbles. To assemble the miche cars he is turning to the independent Turin design houses. and "carrozzieri" or body

The dearth of new product is finally ending, but it will still take another two years before Fiat can start reaping the full benefits as production volumes are raised.

"Flat is a pretty efficient producer," insists one of its leading component suppliers. "Its problem is not its cost-base but its model range. If it had the models, it would be quite a force. If the Punto is successful it could change its fortunes dramatically.".

For Flat the moment of truthis dawning.

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Figure 18 Handers is located in the heart of the main Western European markets and the EC decision-making centre

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

'Stagflation' is a real possibility

From Mr John Mueller.
Sir. It appears that the fundamental shortcoming in the argument hy the "MIT Six" Personal View, July 291 has not yet been pointed out. The European Community is suffer-ing high and permanent unemployment primarily due to large increases over the past two decades in social benefits and the minimum wage. This has put an above-market floor under wages, causing a labour

Reflation accompanied hy devaluation can reduce such unemployment if it raises the tevel of prices and nominal incomes while the level of social benefits and the minimum wage remains more or less fixed. But almost all such benefits are now indexed to rise automatically with wages or prices, or provided in kind. Therefore, reliation can reduce permanent unemployment only if minimum wage and benefit formulae are cut or deindexed at the same time. Reflation without such

changes is merely a formula for 1970s-style "stagflation" simultaneous high inflation and high unemploymens. John Mueller. vice-president and

chief economist, Lehrmon Bell Mueller Cannon, 2000 15th Street North. Suite 700. Arlington. Virginia 22201,

Ostriches go way back

From Mr Peter J M Rodger. Sir. Matthew Kaminski's article. "Feathered herds give heavyweight profits" (July 29), talked about ostriches heing "first introduced.". in the mid-1980s" to the US.

In fact, ostrich farms abounded in south-west US more than 70 years or so ago. I recall seeing several old photographs of ostrich farms in Arizona. This is not a new phenomenon, merely an old one revived. Peter J M Rodger.

White Horses, 11 Devondale Drive. Devonshire DV01. Bernudo

M25 measure puts Britain en route to recovery

From Mr Ray J Beazley.
Sir. The Confederation of British Industry, the retail trade and many others use sophisticated methods for measuring the state of Britain's economy, hut we suggest the M25 motorway is a simpler

l, and others in this com-pany, use the M25 regularly and there was an ohvious decrease in commercial traffic as the recession tightened lts grip. However, in the last few months we have all commented on the way the volume

of traffic is building again. Add to that the fact that, as suppliers of industrial water-filtering equipment, we are seeing a definite spurt in orders from cus-tomers with diverse interests.

and we reckon the future is

looking good. It would be interesting to know if others have off-beat methods of reading the economy. Ray J Beazley, managing director,

Atkins Fulford. Edgworth Road, Sudbury, Suffolk CO10 5TG

of energy to the customer.

Incentive removed

From Mr Colin G Trotman.
Sir, Oftel was set up to ensure competition in the telecommunications market after the privatisation of BT. However, the result of its rul-ing against the dominant company's special Sunday offer ("BT 'special offer' calls ruled unfair", August 3) is a reduced incentive for rival operators to expand their network, and for BT to maximise the benefit of its existing infrastructure. Meanwhile, the consumer is denied the opportunity of BT's competitive gestures. Colin G Trotman, .53 Wallisden Avenue,

Hampshire PO14 1HS

NE and carbon emissions savings

From Mr Adrian Ham. Sir, Charlie Kronick's letter

(August 5) is rather simplistic, both in his exposition of nuclear costs and his remedies for greenhouse gas emissions. To put the record straight: nuclear power is already part of the UK's policy for reducing CO, emission. Nuclear Electric saved the

emissions of around 13.5m tonnes of carbon last year, compared with the emission level from the UK fossil fuel mix for the same amount of electricity. If this greenhouse gas saving had been achieved at the cost ratio indicated by the Energy Saving Trust. £1,000 per tonne of carbon, an investment of £13.5bn would be required, half of which would come from levies on the price

Everyone realises that the cleanest way of cutting CO. levels is to use less energy we all can and should do what we can, and any sane person wishes to see the EST succeed. But the realistic question is how much is likely be saved by all the conservation methods available? The EST has set an objective of 2.5m tonnes of carbon hy 2000. Before then, Sizewell B will be saving 2m tonnes of carbon a year. Meanwhile, future nuclear

power can produce electricity at 3p/kWh or below, compared with typical large tranche costs for wind power of in excess of 4p. This is on the same capital return basis and includes allowancea for all decommissioning costs at the

end of a nuclear plant's life.

As Charlie Kronick knows,
most current NE provisions for decommissioning and waste relate to previous CEGB operations of Magnox and AGRs before Nuclear Electric's Acts before Nuclear Electric's creation. It is a pity that he muddled up the Nuclear Electric position with that of the entire industry, thus managing, unintentionally I am sure, to double the figures for NE's liabilities. Our net seek page liabilities. Our net asset position is, in fact, improving, as would be expected from a growing and successful company. Adrian Ham.

chief economist, Nuclear Electric Barnett Way, Barnwood,

Changes, yes - but no 'demise' of The Engineer From Mr Trevor Crawford

Sir, Rumours of the "virtual demise" of The Engineer (Letters, July 28) are not merely exaggerated - they fly in the face of the facts. Important changes are

indeed afoot at The Engineer. We are making them in response to a change in manufacturing as industry recovers from recession, leaner, fitter and more commercially aware than ever before.

Mr Gibson asserts in his letter that engineering is a dynamic husiness which needs

achieved that authority hy evolving to keep pace with the industry it has served

throughout its 137-year history.

The latest developments to be unveiled this September are geared to help engineers meet the challenges of today's and tomorrow's manufacturing

environment. torial focus on manufacturing specific, jub-useful information, particularly in feature articles.

There will be a stronger edi-Our popular new technology section will he joined hy a

highly selective new product section, and we will reinstate a reader inquiry service. What will not change is our

emphasis on hard, interpreta-tive news, underlined by a new editorial design.
With this kind of investment

in The Engineer, it should be easy to conclude that we are committed to keeping the stream of information to industry constantly on tap. Trevor Crawford,

publisher. The Engineer, 30 Calderwood Street.

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FINANCIAL TIMES

Number One Southwark Budge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Monday August 9 1993

Mr Clinton's taxing deal

A PRESIDENT who fought primary campaigns on the slogan "America can't wait" would doubtless have wanted it to have arrived sooner. But last Friday, after six months' hard wrangling, a version of Mr Clinton's deficit reduction package finally scraped its way out of the US Congress and into law. The deal, for all its. flaws, should prove something of a landmark in recent American political history. But Mr Clinton must deliver a great deal more over the next three years if the same is to be said of his presi-

Judged by its deficit-reducing credentials, the deal is not so different from the plan which Mr Clinton unveiled early in the year. It aims to reduce the US federal budget deficit by \$496km over the next five years by means of public spending cuts which net \$255bn and tax increases of \$241bn. Total tax revenues will rise by an estimated 0.8 per cent of gross domestic product in the 1993 fiscal year.

But much of the package's earher novelty has been lost. First, the US administration has been forced, in effect, to drop its broad-based energy tax in the face of interest group pressure. The energy tax would have raised \$71bn over five years and, in so doing, would have begun the necessary process of bringing US energy prices into line with those in other industrial countries. In its place, the Senate has sanctioned a rather paltry 4.3 cents rise in the tax on most transport fuels which will bring in a mere \$24.2hn in

Earlier casualty

An earlier casualty was the new administration's plans for increased infrastructure spending. Mr Clinton had planned to boost spending on all forms of public capital. But US economists now estimate that US public investment will fall by 6.5 per cent this year. There is now nothing in the -ity not only to begin tracing soluagreed package to reverse Amer. ica's long-standing inability, by tural problems - its bloated and the standards of other indicates "hardedive social security and lised countries to in large and healthy stock of public strade both Congress and the

Missing, too, from the package is evidence that President Clinton tory marked a beginning. That so knows how to translate his proelection commitment to "puttingpeople first" into post-election bode well.

actions which enhance capital of the human variety. Instead, just when Europe's leaders are conchading that high labour taxes are bad for employment, Mr Cilinton has fallen back on taxes on labour income to get his deficit proposals through - and looks set to do the same in its plans for reforming the US health system. The long-term solution in America's fiscal difficulties must involve some form of value added consumption tax, not further taxes on employment.

Bigger cut

For all its deficiencies, Mr Clinton's bill should mean a bigger cut in the federal budget deficient than any of his predecessors have delivered. For all its ostensible similarities with President Bush's 1990 Budget Enforcement Act, the Clinton plan should do better, if only because it catches the economy on the way out of a recession as

opposed to on the way in.

Nor is the strength of the US recovery likely to ha seriously undermined by last week's bill at least not once most consumers discover that their tax hills are little changed. If anything, Mr Clintun'a legislative success should make the recovery more sustainable by keeping long-term bond yields at the historically low levels to which they fell in February when the package was first

Yet, in the medium term, America's budget difficulties, and the political chasm they reflect, are not solved by the events of last week. However impressed the markets appear to be today, by 1998 the US structural budget deficit is projected to return to nearly 3 per cent of GDP and keep on. rising thereafter.

Whether Mr Clinton is in the White House to see this will depend, in large part, on the strength of the recovery. But whether he will be judged a great president will depend on his abiltions to America's looming strucbealthcare systems - but to per-American people that his solutions make sense. Last week's vicmuch political energy was expended for so little does not

War and peace in Bosnia

TWO MEETINGS today in two every municipality. They were west European cities are supposed quite prepared to go on talking in to decide the fate of Bosona. In Geneva while their artillery fin-Geneva peace negotiations are to ished the job of breaking the city's Geneva peace negotiations are to resume under EC and UN aus-pices, while in Brussels the North Atlantic Council (Nato's governing body) is to finalise plans for intervention in the war.

Is there a contradiction? Lord Owen, the EC mediator, appears to think so. At a press conference on Friday he blamed the threat of Nato air strikes for causing, or atleast contributing to, a breakdown in the peace talks last week. He did not spell it out, but the reasoning is clear. The proposed peace is an longer based on any principle ather than recognition of the relative strengths of the different parties to the war. Therefore anything that leads one side to believe its military situation may improve can only delay the peace. Mr Altja Izetbegovic, the Moslem president, hnped that Nato air strikes against the Serbs, or the threat of them, would improve his chances in the war. Therefore ha left Geneva, to put off the moment of

decision on peace. Yet Lord Owen admits that the negotiations were already dead-locked on the future status and division of Sarajevo, the Bosman capital; and there it was the Serbs who hoped to improve their negotiating position through military success. He also says that he needs air power "in reserve to prevent flouting" of agreements after they have been reached. It is as though he had forgotten the sad history of his earlier "Vance-Owen" peace plan. A great deal of time was spent discussing the forces to be put in place "to pre-vent flouting" of that plan once it was agreed. But it never was agreed, because the Serbs realised that so long as they did not agree to it no force would be used, and that so long as no external force was used their own forces could win them a more favourable settlement on the ground.

Divided city

Now the Serbs have got most of what they want, except in Sarajevo. They are determined, it seems, to incorporate at least a substantial part of the capital into their new ethnic state, although before the war the population was mixed with a Moslem majority in

resistance. Thus the logic of Lord. in a few weeks, to put pressure on Mr Izetbegovic to accept the partition of Sarajevo, with presumably some kind of Berlin Wall cutting through the middle of it, while in the city itself thousands more people whuld he killed in house to house fighting and the UN would be helping evacuate tens of thousands of new refugees.

Use of force

For all the criticism of the Clinton administration's sometimes erratic policy on Bosnia, it is at least trying to prevent that outcome by pressing for the use of force. In the last few days Serb leaders have signalled a willing ness to withdraw from recently taken positions overlooking Sarajevn. This is probably bluff or ruse, but it does suggest they take the threat of air strikes more seriously than they admit in public and, nne might add, more seriously than the threat deserves. given the well publicised reservations of Nato governments with forces on the ground.

The latter's anxiety is understandable, but the assiduity of British ministers in publicly proclaiming their fears is unpardonable. As it happens, British forces are the least vulnerable to any Serb retaliation, being in a sector where the main fighting is between Moslems and Croats. But Mr John Major and Mr Malcolm Rifkind do those forces no service by advertising their supposed vulnerability. They should simply say that British forces have the full power of the British state behind them, and that anyone who attacks them does so at his peril Deterrence is more effective if the potential adversary is kept guessing about the scale and nature of the reprisal he should expect.

Nato's aim today should be to draw up a list of specific actions, by Serb or other parties in Bosnia, which would provoke military reprisal By setting clear limits to the further use of force Nato would help, not hinder, a peace settlement which force has already done far too much to

Mnrihiro Hoso-. kawa paid tribute to the heavens for having chosen him as prime minister, complating a remarkable transformation of Japanese politics. His seven-party coalition had secured the rise of a new postwar generation of leaders, installed the first Woman speaker of parliament, and condemned the powerful Liberal Democratic party (LDP) to the oppo-

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sition benches. These are evocative symbols of upheaval, hut do they mark the beginning or the end of political change? An indecisive and disruptive coalition reign would invite the return of a strengthened LDP, now in opposition for the first time in four decades.

Mr Hosokawa and his partners stand on the fringe of uncharted political territory. They can secure the passage of electoral reforms and, as they put it, "reform political thinking", or be distracted by the differences inherent in a conservative coalition that includes a Socialist party and the political arm of a Buddhist movement, Soka Gakkat.

Political reform is the priority, but the botchpotch of parties needs to respond coherently to a slowing recommy and trade friction with the economy and trade friction with the US. The coalition members disagree on the future of value added taxation and energy policy, and have been haggling ovar cahinet posi-tions and bickering with the LDP over parliamentary procedure. The omens are not promising, but tha coalition still has the benefit of the

Financial markets, for example, have taken the coming of coalition government calmly. Conversations and television programmes have been animated by the prospect of the LDP in opposition, and not by a perception that the country is on the brink of crisis. Other governments appear more curious than concerned, sensing that foreign and trade policies will hardly deviate from their present course.

doubt at homa and abroad.

If the coalition partners do keep their promises, there is potential for great deviation, not so much in the detail of present policies, but in the longer-term conduct of politics. Swapping multi-seat constituencies for single seats and proportional representation, and controlling political donations, will alter the electoral system, but the "revolutionary" changes pledged by the parties will come from increased transparency, deregulation and accountability.

Pro-reform parties in the coalition argue that, without these changes, Japan will be unable to develop an international profile appropriate to its economic influence. Mr Ichiro Ozawa, the former LDP power broker now in the backroom at the

Coalition horse rides into town

Japan's new leaders have a rare opportunity to reform the character of domestic politics, says Robert Thomson

Japan Renewal party (JRP), a coalition partner, suggests that "Japastyle democracy" has outlived its usefulness and the country must reform our politics, our economy. our society, our consciousness".

The reputation of reform and of reformers in Japan rests with Mr Hosokawa and Mr Tsutomn Hata who brought down the government hy defecting from the LDP and is now the JRP leader. Echoing Mr Ozawa's lofty sentiments, Mr Hata talks of making parliament "a genuine forum for political debate" and turning politicians into "true representatives of modern Japan".

Mr Hata is in a position to prove that his statements are more than the puffery of an ambitious politician courting votes. He is likely to be either foreign or finance minister in the new government. At finance, he would preside over bureaucrats whose arhitrary use of "administrative guidance" gives them intimidating power over financial institutions and the interest rates on a Japanese worker's bank account,

For example, a reform committee nf Japanese and foreign banks and brokers recently complained of unnecessary intervention by the finance ministry. It pointed out that no new financial products could be introduced in Japan unless they were specifically permitted; in most other markets, they could be introduced unless specifically forbidden. The lack of transparency in gov-

ernment also enables politicians to influence the budget process in a way that benefits, for instance, the construction industry more than the average taxpayer. As stillemerging corruption scandals indi-cate, construction companies are encouraged to donate generously to politicians in return for a contract to build a bridge or to lay concrete on a river bed.

But corruption will not end suddenly with the rise of a pro-reform government. When in opposition, socialist MPs were able to influence public works contracts, directly or through the offices of well-cnnnected LDP officials such as Mr Shin Kanemaru, the fallen godfather now on trial for evading taxes on monies received from construction companies. Mr Hosokawa, Mr Hata and their

'My lord goes to battle on an eight-legged borse' (Cartoon of Prime Minister Hosokawa reprinted from Yomiuri newspaper)

coalition colleagues can impose a tougher discipline. If politicians' powers of influence over contracts are reduced, the flow of contractrelated funds will slow. The coalition wants to ban corporate donations to politicians, but a legislative amendment alone will encourage companies to find more creative ways of disguising illicit funding.

The depth of political change will also depend on the maturing of the coalition members. Theirs is a friendship destined not to last; but three parties, the Social Democratic party, Mr Hosokawa's Japan New party and the JRP, have the potential to combine into a powerful single party, competing with the LDP, which is still far bigger than its opponents. On the other hand, each could remain a bit player in a fragmented system that would take another election or more to sort out.

If the SDP, formerly the Japan Socialist party, is forced by coalition membership to reverse the more extreme policies that have kept it in opposition, it could emerge with a stronger identity than its conservative counterparts. If not, the SDP will be in danger of

splitting, with more moderate mem bers tempted to join the JNP or JRP and the more Marxist MPs retreating into isolation.

The JNP and JRP have an identity problem. Their ideas outnumber their policy details and they have yet to distinguish themselves clearly from the LDP. Ms Yuriko Koike, a successful JNP candidate, suggested during the election campaign the 'people don't want detail, they want change", but, come the next election, repeated citing of the ward "reform" may not be enough

to attract voters again. Having seen tha tradition of oneparty rule rejected, the LDP is beginning to play a useful, defining role as a powerful, belligerent opposition party, which is unusual in Japan. The selection of the relatively young Mr Yohei Kono. 56, as party president was a response to upheaval: he has a reputation as a reformer dating back to the mid-1970s, when he left the party in protest during another spate of corrup-

he LDP cited Mr Kono's appointment as evidence of "generational change and "reform", but other executive posts were distributed among the party's leading factions, suggesting that the old hierarchy remains influential and time-serving politicians are still awaiting a turn as prime minister. Mr Kono is attempting to pre-

empt these challenges. After his selection, instead of retiring to an exclusive bar for the customary whiskies and back-slapping with factional colleagues. Mr Kono did the rounds of leading television stations, launching his leadership and the campaign for the next general election. That election could come at any time.

The coalition has promised to introduce political reform within a year, and then call an election. But the seven parties have yet to agree on the details of reform, Ironically, a dispute over where to draw the new electoral lines could provoke a split and the fall of the government. Japanese parties have an uncanny ability to tolerate incompatibility. The SDP often joins with

the LDP and other parties to support consensus candidates in provincial gubernatorial elections. That past co-operation is the hasis for the present awkward coalition government and could mean that the partnership has an unexpect edly long shelf life. In the meantime, the coalition

leaders have a chance to reform the character of Japanese politics. If they fail, a political structure battered by the events of the past few months could begin to return to a familiar shape, with a dominant LDP surrounded by a band of directionless opposition parties.

great estates, many owners are

Rachel Johnson looks at the debate over primogeniture

And the eldest takes all

Herod has it heen so rough for firstborn sons.
Last week, the Marquess of Bath decided to fight the court action of his father, the Duke of Mariborough, who is effectively trying to disinherit him; more than 30 hereditary peerages to pass to the eldest child, regardless of gender, and increasingly, the landed gentry are giving their children equal slices of the inheritance cake. It is remarkable that the seem-

ot since the days of King

ingly anachronistic concept of primogeniture - whereby the eldest son inherits all - exists at all in a world of positive discrimination and Nintendo. In the words of Mr Nick Hnward, second of the four scions of Castle Howard in Yorkshire; "It is the last refuge of feudalism." This Norman law of inheritance

lasted until 1925, when land legislation removed the right of the eldest to inherit all from an intestate parent hy allowing the widow some chattels for herself. Save for hereditary dignities and

titles of honour, primogeniture no longer has legal force. Only heredi-tary peers list heirs in Who's Who. But primogeniture has remained a custom that aristocrats have observed unquestioningly for ancestor, the 1st Duke of Marlaimost 1,000 years until this borough, in acknowledgement of his

As Mr Lawrence Stone, professor of history at Princeton University

in the US, points out, the "prime preoccupation of a wealthy English landed squire was somehow to contrive to preserve his family inheritance intact and to pass it on to the next generation according to the principle of primogeniture". While wealthy squires' objectives

have not changed, their methods may be about to. If the Duke of Marlborough wins, be will set a precedent that others will find hard to ignore. By demolishing the assumption that the eldest son should take over, be is subjecting the business of succession to commercial reality.

The duke wants to prevent his

son from automatically inheriting Blenheim Palace and its 11,500 acres. He is so anxious that control of the estate should not fall to the marquess (who is being treated for drug addiction) that he is seeking to overturn the Act of Parliament of 1704 that gave Blenheim to his ancestor, the 1st Duke of Marl-

month's action in the High Court. victories on the battlefield.

He wants a new trust to replace farmer's average landholding in the present settlement. This trust would tightly control the sale of land, heirlooms and building on the estate. Nothing can prevent Jamie Blandford from taking his title, but someone else seems likely to act as duke in all but name.

The duke may then have saved Blenheim Palace for posterity. But

While Britain still has its great estates, many owners are

struggling to keep them in the family

what will he have done to the system that ensured he, and nobody else, became the 11th duke?

The money and land at stake is substantial. Primogeniture helped the British aristocracy remain richer, more illustrious and tightly knit than any other comparable elite. Today, the heir-takes-all tradi-

tion still pays dividends: a British 1992 was over 70 hectares, more than five times the EC average.

Between them, the 24 non-royal dukes from Abercorn to Westmin ster, are worth an estimated £4.6bn in income and assets - three-quarters of that belonging to the Duke of Westminster. Mr Dominic Hobson, the financial historian, says this compares with a total of £3.5bn in 1883 (at 1991 prices and only from rental income).

By contrast, continental aristocrats have become so common that their prestige is diminished; and the parcelling of land elsewhere in Europe has diminished estates.

In France, in particular, the postrevolutionary Code Napoleon which revised common law -demanded that land be divided equally between children. While this meant that most of the peasant class owned plots of land, farms were small and France was unable to benefit as much as Britain from new farm machinery.

But while Britain still bas its

struggling to keep them intact and in the family. Some have failed: between 1880 and 1976, the great estates shrank in size by 76 per cent in England and Wales. Estate duty. followed by capital transfer tax in 1975 and inheritance tax in 1986. have forced the sale of 480 historic bouses in the past 20 years. Even when a son inherits cash -

the Marquess of Cholmondeley was left £116m - it does not stop the rot. He was forced last year to sell a Gainsborough and Holbein in lieu of tax on his father's estate.

Primogeniture, designed as it is to keep the estates intact, is destined to continue. Lady Ann Somerset. the historian daughter of the Duke of Beaufort, cousin to Blandford, thinks it should and will survive. "Only really rigid primogeniture where the eldest gets masses and millions and the others get not a farthing - will be rare," she says.

"Provided the younger ones aren't cast out into the world, it's fair. Really, the estate can't continue if It's all shared out.

But Mr Nick Howard, of Castle Howard, a second son, predicts that the "flexible primogeniture" will be the way of the future. "These large estates are businesses." be says. "And not all eldest sons make the best businessmen."

Observer

Turn down the flame He promises to be on hand next week to deliver his views on the report, but Sir James will not be breaking short his holiday. Is this because the MMC has rejected his contention that British

■ An eerie hush has settled over the UK gas industry – quite a change from the fierce clashes of the past between British Gas and Sir James McKinnon, its regulator at Ofgas. A truce has been called while both sides digest the mammoth 2,000-page Monopolies and Mergers Commission report, which was delivered 10 days ago.

The air of studied unconcern

is reinforced by the fact that Sir James has departed for the Italian beaches, while Cedric Brown, chief executive of British Gas, has sought out the charms of Cornwall. So anxious are all parties to prevent leaks of this highly sensitive document that it will be rushed into print a week tomorrow before ministers have even decided whether to accept it. Unusually, Observer gathers,

the MMC itself will make a statement next week explaining how it reached its conclusions. This is because there are actually two reports, one commissioned by the DTI and ona hy Ofgas.

Sir James and trade secretary Michael Heseltine have agreed to exchange theirs so they know the contents of both - which is more than can be said for British Gas itself. Cedric Brown has only received the Ofgas report, and ha does not get the DTI one until next Monday. But he will have an

inkling of the full report because his copy contains a summary of all the MMC's recommendations.

Gas should be spllt up? After battling for years against the gas monopoly, it would be most uncharacteristic of this doughty Scotsman to be absent if the MMC had handed him a famous victory.

Law maker

Contrary to expectations, the recent death of Professor Northcote Parkinson, best remembered for his pronouncements of the blindingly ohvious, has not curtailed the supply of new Parkinson's laws. Yesterday, Lord Parkinson, the former Tory party chairman, produced one of his own on Anthony Clare's radio programme, in the Psychiatrist's Chair: "in politics people like to give you what they think you deserve and deny you what they think you want."

Ex-lifeboat man

■ History seldom repeats itself with such vengeance as it has recently for Roger Barnes, the head of banking supervision at the Bank of England who retires this month



'I hope we're found soon, I'm all in escudos'

secretary of the Lifeboat Committee, which ran the rescue operation for Britain's secondary banks in the crisis of the mid-1970s. Among the first to grab a lifeline was First National Finance Corporation, which received support of some £350m. In recent months Barnes has found himself repeating the exercise with FNFC. negotiating behind the scenes to push the bank's most recent creditors to accept a £1.1bn refinancing. But, this time, he has had the deadline of retirement

looming. This may go some way to explaining his decision to cut through the red tape. Indeed, one particularly obstreperous foreign creditor was amazed to receive approval for the refinancing from head office before it had even submitted the application. Someone had got there first.

Upon being informed of the event, Barnes is said to have thrown his hands in the air and claimed: "It's a miracle!"

Falling standards Never before has John Major,

leader of Britain's least popular big political party, spoken so frankly about his thoughts on everything from formula one grand prix racing to Britain's female cricketing team and the rush to buy new L-registered cars.

In bappier times, the prime minister's column in yesterday's News of the World might bave been tagged a world exclusive. However this label was reserved for fresh insights into footballer Paul Gascoigne's love life. It is not the first time that down-at-luck Tory politicians have tried in communicate with the masses by standing in for regular NoW columnist, Lord Woodrow - voice of reason - Wyatt

Indeed, Lady Thatcher once did it. But it is hard to believe that she would have allowed her contribution to be upstaged by a tubby footballer's reminiscences of how a "cbocolate Teddy girl tried to tempt me from my Sheryl".

Meanwhile, Observer hopes that Norman Lamont, former chancellor of the exchequer, will be given a chance of using the NoW to get a few things off his chest before his old chum Lord Wyatt returns on September 5.

Up the Pole? ■ If the choice of the next president

of the European Bank for Reconstruction and Development was in the gift of newspaper leader writers, then 46-year-old Leszek Balcerowicz, the former Polish finance minister, would already have the inh. First the New York Times and now The Economist have come out strongly in favour of the man credited with knocking the Polish economy into shace.

Given that Balcerowicz served less than three years in the political frontline as Poland's finance minister, he may lack some political savvy and, on paper at least, his management skills look no better than those of the EBRD's ex-boss, Jacques Attali. That said, for a man with no obvious public relations skills, Baicerowicz seems to be doing a jolly good job getting his message across.

If only

Spotted in the parish magazine of Crockerton and the Deverills: "The PCC meeting on Thursday will be gin with a prayer."

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FINANCIAL TIMES

Monday August 9 1993



Call from Israeli-occupied territories for more say in PLO decisions

Palestinians face leadership split

By Julian Ozanne in Jerusalem and James Whittington

A CRISIS simmering among the Palestinian leadership hoiled over yesterday as three of its senior members flew to Tunis amid reports that they intended to resign from the Middle East ice talks delegation.

The move, which would tbreaten the flagging Arab-Israeli peace process, revealed old divisions between Palestinian leaders inside the Israeli-occupied territories and the Tunis-based Palestine Liberation Organisation led by Mr Yassir Arafat.

It also exposed deep frustration about the lack of progress in the peace process after the visit to the region last week by Mr War-ren Christopher. US secretary of state, and the increasing desire of Palestinians in the occupied territories for greater democracy

inside the PLO. In Israel, the move re-ignited debate about whether the government should open official contacts with the PLO - one of Israel's greatest political taboos but recently under review.

Mr Haidar Abdel-Shafi, chief Palestinian negotiator, said the three top leaders - Mrs Hanan Ashrawi, Mr Faisal Husseini and Mr Saeb Erekat - were going to band their resignations to Mr Arafat because of differences with the PLO leaders on how hest to conduct talks with Israel.

During a transit stop in Amman, Mrs Ashrawi refused to confirm the resignation threat but said there were "serious internal Palestinian issues" that had to be discussed "frankly" in Tunis. Reflecting reports that the three leaders are upset about lack of consultation by Mr Arafat over recent positions presented to the US, Mrs Asbrawi said:

sultations and discussions."

Mr Ziad Ahu Ziad, a consultant to the Palestinian delegation. said the latest rift occurred over a PLO-drafted response to Mr Christopher's suggestions for an interim period of Palestinian self-rule. The Palestinian delegation in Jerusalem rejected the document and were upset that the PLO draft had been put to Mr Christopher in Egypt before they were consulted.

Even so, much deeper problems lie behind the latest issue. Palestinian leaders in the occupied territories have said recently that their ability to negotiate with Israel bas been completely restricted by Mr Arafat, who remains the dominant decider.

They accuse Mr Arafat of pursuing a strategy of remaining in the peace process without allowing substantial progress. They

alternative Palestinian leadership in the occupied territories during interim self-rule and thus could marginalise the PLO in Tunis.

Mr Arafat, they add, wants to show Israel and the US that there can be no settlement without the direct involvement of the PLO in Tunis. This strategy leaves the Palestinian negotiators vulnerahle to criticism by Palestinians who are increasingly angry about the lack of progress and Israel's continued abuse of human rights.

Some Israeli politicians now feel that the PLO in Tunis is more moderate and coherent than Palestinians in the occu-pied-territories, and that the PLO should be brought into the talks. Last week, it was revealed that Mr Yossi Sarid, the environment minister, became the first Israeli cahinet minister publicly acknowledged to bave met PLD

Somalia and thought that pres-sure on President Bill Clinton to

call an end to US participation in

Mr Dole said it was the view of

other senators that the peace-

keeping operation had strayed

from its original purpose of pro-

viding humanitarian assistance.

However vice-president Mr Al

the operation would increase.

US calls for action over Somali attack

By Roger Matthews in Washington and Michael Holman in London

PRESIDENT Bill Clinton yesterday condemned a Somall attack that killed four US soldiers in Mogadishu and vowed "appropriate action" against

those responsible.

He said the US would do everything it could to find out who was responsible but stressed Washington would "proceed through the UN as our troops are there are part of the UN."

Mr Clinton defended the UN mission, saying it had averted and medicine to reach Somalia. "I still believe the United Nations mission was well-conceived and properly undertaken." he said.

However, the ambush, the third in four days on troops of the UN peacekeeping force, prompted fresh demands in Washington led by Senator Rob-ert Dole, the Republican leader, for a re-examination of the US role in Somalia. The landmine amhush resulted in the highest US death toll in a single incident since American troops arrived in Somalia in December to safeguard relief supplies and end the reign of warlords. Yesterday's deaths brings US fatalities to six.

The UN special representative in Mogadishu, retired US admiral Mr Jonathan Howe, yesterday blamed followers of the fugitive warlord Mohamed Farrah Aideed sought hy the UN force since 24 Pakistani peacekeepers were killed in an amhusb in June - for the incident. "We will take appropriate action to ensure we defend

our people," Mr Howe said. Senator Dole said it was time for the administration to reassess US participation in UN operations. Asked if the troops should he withdrawn, he said: "The time may be close." He recalled that more than 35

(IN troops bad been killed in

Gore yesterday ruled out an immediate withdrawal of US

forces: "We bave got a mission there and we are going to continue it." Mr Gore said the administra-

tion would be consulting its allies to decide on the appropriate

Hosokawa on the doorstep

New Japanese PM looks to put official house in order

By Robert Thomson in Tokyo

ELECTED ON a promise to renovate Japanese politics. Mr Morihiro Hosokawa, the new prime minister, was contemplating yesterday what to do about the furniture, the wallpaper and the apparently dodgy plumhing in the house that comes with the

"It will need a bit of work." he said, after taking his wife Kayoko on a quick tour of the bome. What bas suited past Liberal Democratic party prime ministers is not to the taste of a more fashion-conscious first family, as Mrs Hosokawa thought

the place "really very old". The Hosokawas were satisfied that the 64-year-old residence is "large enough", perhaps mindful of the space needed to entertain fellow members of a seven-party coalition government which is due to announce a cabinet today and be formally installed by

Emperor Akihito. Unlike the selection of LDP cahinets, which were generally a matter of long-serving politi-

istry, the Hosokawa cahinet was unknown last night. Talks were continuing last night to balance the interests of the seven partles.

But the lack of early detail on the cahinet also reflects the limlted access the Japanese media have to some coalition leaders. Leading newspapers were geared to LDP rule and had committed dozens of journalists to staking out MPs, but they don't have the same links to Mr Hosokawa, a former provincial governor, and other newcomers to government.

The cahinet is helng described as the "all-star team", as the seven party leaders are all supposed to be given a post, and there are likely to be one or two academics or other specialists chosen for posts such as educa-

tion or culture minister. It is expected that Mr Tsutomu Hata, leader of the Japan Renewal party, will be deputy prime minister and either foreign or finance minister. Mr Akio Morita, chairman of Sony, the consumer electronics company, was a favoured contender last week for foreign minister.

Mr Sadao Yamahana, leader of the Social Democratic party, formerly the Japan Socialist party, ls likely to he a "minister responsible for political reform". a difficult post, as many MPs in his own party are opposed to electoral reforms that could cost

them a place in parliament. While Mr Hosokawa has been musing about his cahinet and the new bome, Japan's hureancrats have continued to do things their way. Without consulting the new administration. finance ministry officials are telling other ministries that spending in next year's hudget

will increase by only 3 per cent. The ministries are supposed to present their spending plans to the finance ministry by the end of this month, and appear to be ready to continue the plans made under LDP rule. If Mr Hosokawa has different spending priorities or cuts income taxes, as has been binted, the bureaucrats will have to do their calculations again.

> Torrential rain, Page 4 Coalition horse rides into I town, Page 11

FT WORLD WEATHER

Ecu' proposal

Continued from Page 1

might try and accelerate progress towards full monetary union in the wake of the crisis.

France, Denmark and Belgium continue to keep their currencies closely tled to the D-Mark hy maintaining overnight interest rates in their domestic money markets at very high levels. Some dealers helieve that the policy of keeping interest rates high will not be sustainable because of high unemployment.

currency whose pace would keep with the value of the strongest European currency at all times. If the new currency became popular. It would gradually replace the use of national currencies as legal tender. If not,

Major's 'hard

The credibility of the ERM may be tested again this week as

The hard Ecu project envisages the launch of a pan-European the currency would he allowed to

However, economists were sceptical as to whether Britain's EC partners would adopt the dea. Mr Brian Hilliard of Société Generale Strauss Turnbull said the project would involve consid-

THE LEX COLUMN

Budget performance

US government long bond yields around 6.5 per cent hardly suggest that the markets are bothered by the Federal government's budget deficit. President Clinton, bowever, may be making a mistake when he claims credit for the bond market's recent strength US growth is still very sluggisb and, despite an uptick in the second quarter, inflation is subdued. That is probably more responsible for low bond yields than the president's deficit reduction package. Besides, the national debt and the size of the hud-get deficit as a proportion of GDP hardly stand out against other OECD

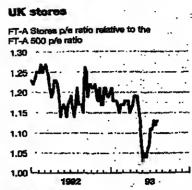
What is more worrying is the way that the politicians have struggled so mightily to bring forth such a weak compromise. Passing the bill was certainly important, given that Mr Clinton had invested so much political capital in it. Yet even on the govern-ment's own figures, the deficit will still be \$250bn hy 1998, and spending will have risen by 20 per cent - always supposing that expenditure estimates are not exceeded in the way they have been in the past. To be sure, the markets would have responded very badly had the vote failed, and the president's authority been significantly weak-ened. Now it has passed, the focus will be on slow growth.

With little sign of the recovery gathering pace. Treasury bonds may well rally further. Equities may also benefit. For those still prepared to overlook the monotonous regularity of excep-tional charges in US company results, there is little reason to suppose that equity prices are stretched beyond the

UK stores

It does not take much to tickle a fund manager's jaded palate. Some reasonable retail sales figures, a spurt in the circulation of folding money, and a whiff of interest rate cuts from across the channel is enough to have professional investors switching into UK consumer stocks in the hope of a boost to domestic consumption. Certainly macro-economic forecasts suggest that consumer spending will rise faster now the ERM has gone. There are also worries that the capital goods and export earning companies which have led the market's charge since sterling's exit from the ERM may not look quite so glamorous once their interim figures arrive in September.

in the short term some stores do hold attractions. Despite tough trading



conditions the hig four, Marks and Spencer, Kingfisher, GUS and Boots the Chemist, seem to be gaining market share from independent retailers and weaker chains. Those with the muscle to provide competitive pricing and value are gaining sales without damaging margins. That squeezes those chains which are stuck with a cycle of seasonal sales to shift stock which will not sell at full margins.

Further out, bowever, there are worries. The November Budget can only depress consumer confidence, even if some of the more aggressive tax increases are avoided. Consumer perceptions of value will continue to limit the ability to increase margins and the threat of discount formats remains on the horizon. The advocates of Everyday Low Pricing may have the right tactics for the market, but it is hardly a way to get rich quick.

Reuters

Those French politicians who complain about the Anglo-Saxon conspiracy to destroy European monetary union may wish to hedge their position by buying Reuters' shares. The company's rapidly advancing share price performance highlights the market's belief that Reuters will gain from currency turmoil. The connection is not immediate since the bulk of Reuters' forex trading screens generate their income from subscription fees rather than transaction charges. But the hope is that banks, which have heen running down their European forex operations, may hulld them up again if the likelihood of monetary union recedes. Reuters would then install more screens. After several years of static installations. Reuters. would return to the growth path.

The theory, though, is somewhat

the concept of a single currency may be far from dead. Moreover, any likely rise in demand for screens would be marginal set against the 200,000 screens Reuters already has installed Nevertheless, the market's instinct may prove right over the longer run. The infant Dealing 2000 forex trading system, which appears to be gaining critical mass, produces \$25 of income for every deal transacted. Here, volume will clearly be critical for profit-ability. The product, though, will not contribute significantly to profits for a few years yet. By then, Reuters hopes that even if European foreign exchange trading quietens down, there will be increased trade between the world's more exotic currencies.

Switzerland

The collapse of the ERM looks likely to take some of the shine off the Swiss equity market. Its safe haven status has helped it rise by a third over the past year, but now other European markets may outperform as interes rates come down. Switzerland has to a large extent aiready enjoyed the relaxation that is expected elsewhere Short-term rates are only about one point above the 3.4 per cent inflation rate. So the Swiss National Hank has less room for manoeuvre than say France. It may do little more than follow German rates down, which say gests a strong Swiss franc mas

dampen domestic recovery prospers Some local factors also point to period of consolidation. Nestler sha price has finally become caught up to the international anxiety over brands there is a risk that the banks in which the market has invested a lot of hope, may disappoint at the interior stage. It would be a mistake though to take this argument too far. The Swiss market's long climb has been sustained by fundamental under with ation as well as its safe haven stime. The former consideration remains

Consensus expectations for earning growth of about 17 per cent this year put the market on a forward multiple of around 12, which makes it cheaply international standards. And it is not as if interest rates were actually about to rise. The safe haven advantage may even return if other European governments compound currency unch tainty by delaying interest rate was Swiss equities can still scale acqueen peaks, but it will require a little min

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Call the British Red Cross Hotline to make a credit/debit card donation 071 201 5250	The this boat yes would the a receipt: British Red Cross
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Europe today

It will continue sunny and warm around the Mediterranean, however, isolated thundery showers may develop over central and southern Italy and around the Adriatic Sea. Depressions approaching from the north-west will begin to bring cooler air Into western Europe. Ireland and parts of England will have rain with falling temperatures. Southern England and western Franca will remain in relatively warm and moist air that has arrived lemperatures will rise up to 22C-25C in these

It will continue unsettled with rain in Norway, Denmark and southern Sweden. In Finland and central Sweden, it will be dry with some sunny

Five-day forecast

Vigorous depressions will move into cool and occasionally windy weather in northwest Europe. There will be mora sunshine in southern France, Germany and in the Alps, However, there will be an increasing risk of thundery showers during tha week. The Mediterranean will continue to be sunny and



Lufthansa

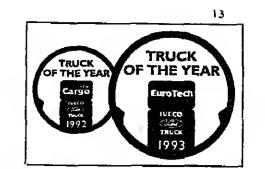
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FINANCIAL TIMES

COMPANIES & MARKETS

Monday August 9 1993 OTHE FINANCIAL TIMES LIMITED 1993



INSIDE

Swissair's loss grows as talks continue

Swissair, the Swiss national airline, said its first-half loss widened to SF125m (\$82.7m) from SF116m as operating conditions worsened considerably. The atrline is in negotiations with KLM Royal Dutch Airlines, Scandinavian Airlines System and Austrian Airlines aimed at merging activities. Page 15

Shake-up in Swedish building

The planned merger of Tre Byggare and BPA is set to form Sweden's third-largest construction group in a significant rationalisation of the country's hard-hit building sector. Maimo-based Tre Byggare is buying a majority stake in BPA from a group of trade unions. Page 15 trade unions, Page 15

Call of the mainland

Taiwanese business is growing impatient at the brakes that have been placed on commercial links with China by the nervous authorities. The concern of Taiwan's rulers is that a lifting of restrictions; including permission for direct trade and travel, would accelerate a business exodus and drain investment away from Taiwan. Page 15

Tense week for Spring Ram



Shareholders in Spring Ram, the UK bathrooms and kitchens group, face continuing uncertainty after a week of inconclusive bld taiks and growing board-room tension. The leaking of a meeting between Masco Corporation, the US building products group, and Mr Roger Regan, Spring Ram's new chairman, has not helped

the relationship between Mr Regan and supporters of Mr Bill Rooney, co-founder and former chairman who is continuing as chief executive, Spring Ram said Masco returned

Bond dealers braced in Italy

italy's bond dealers are wondering whether the week to come will match the one that has just. passed, when investors ploughed into Italian paper to lock into relatively high yields ahead of expected interest rate cuts. The market was at its most active for months, with prices and volumes for 10year futures rising perticularly fast, Page 16

Prospective p/e ratio

The latest prospective p/e ratio for the "500" index for calendar 1993 is 15.0, according to IDES, the consensus satisfacts service fleat week; 14.6). This compares with an IBES estimated phe for the "500" of 19.7 (19.3) for calendar 1992. The official FT calculation of the historic place appears on this latest reported semings, is 19.75 (19.49)....

Base lending rates 23 London stars senios FT-A World Indices Back Page Managet food service FT/SMA int bond mc 76 Money startets Fureign exchanges 23 May M. Jonel Manage

Companies in this issue

Austmin Bisckland Oil Burnine Colonger

Crown Eyeglass

14 Europa Minerals

Richard Lapper and David Waller report on upheavals in German insurance llianz's international

A competitors may have breathed a sigh of relief when Europe's largest insurance company reported its 1992

For the first time in more than 20 years the group lost money some DM400m (£156m) - on its insurance operations in the traditionally profitable German market. Allianz's after-tax profits were down by 18.1 per cent to DM257.9m and overall underwriting operations remained in defi-cit for the second year running.

After a long period of relentless expansion, Allianz'a difficulties reflect the radical changes affecting the traditionally atahie, heavily regulated and highly profitable German insurance

German insurers have long enjoyed wide margins on home, motor and life policies, paying out less in claims and expenses than they receive in premiums. But this has begun to change as a result of several factors:

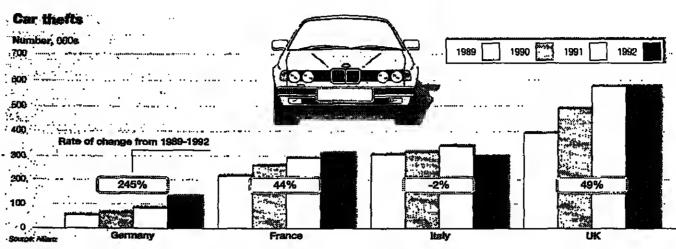
 A sharp increase in car thefts since the opening of borders with eastern Europe and German reunification in 1990. Some 87,000 cars were stolen in 1991, rising to more than 130,000 last year. Alli-anz's losses from theft rose by 15-20 per cent in the first quarter of this year.

 Volatile weather patterns. Storm losses at Allianz totalled DM200m in the first six months, up more than 40 per cent. One hail-storm alona; which swept across aouthern Germany, cost the company DM60m in claims. The cost of expanding east-

wards. Allianz moved into east-ern Germany with the DM711m acquisition of Deutsche Versicherungs, the former state insurance monopoly. Losses are expected to mount to DML5bn before the acquisition starts to make a profit in the latter half of the decade. Other German companies are also incurring heavy losses as they build up operations in eastarn Germany from scratch. Increased competition from

banks: As in other countries, German banks have diversified into insurance on the assumption that the distinction between banking and life insurance products is

A liability to get worse



narrowing. Deutsche Bank set up a life insurance company in 1989 and has since acquired stakes in Deutsche Heroid, a life insurance company, and Gerling, one of Garmany's larger industrial

The pressures will intensify next year. By July 1994, the European Commission's single market programme will allow insurers from all EC states direct access to each other's markets. At the same time, new European rules will force the German supervisory authorities to scrap restrictions on both prices and policy wordings. Motor llability business and lifa business will be directly affected by the changes, but anlysts expect competition to become more intense in other

hese changes should present opportunities for international competitors to increase their share of the German market from their current 13 per cent. Already foreign companies are seeking to take advantage. In particular, France's two largest insurers - Union des Assurances de Paris (UAP) and Assurances Générales de France (AGF) - are keen to expand in Germany as part of their broader Epropean ambitions.

UAP - through its 34 per cent holding in Victoire - owns a sizeable minority stake in Colonia, Germany's third biggest insurer, and is seeking to increase it. Recently AGF, the second largest state-controlled French company, acquired a 33 per cent stake in Aachener und Münchener Beteiligungs (AMB), the second biggest

insurance group in Germany. "Any major insurer with a pan-European strategy would like eventually to have a position in Germany because it is Europe's largest country and because it is perceived to be a good place to expand from into eastern Europe," says Mr Stepben Dias. an analyst with Goldman Sachs. Allianz's senior executives appear unruffled by the market

increased competition. Mr Uwe Haasen, head of German operations at Allianz, concedes that 1993 will be another tough year with losses in Germany running at a high level in the first six months. But he is confident that this will prove to be a temporary dip.

turhulence and the threat of

Most securities analysts covering the company's fortunes agree, arguing that a number of factors will shield Allianz from the impact of greater competiton. First, its 17 per cent sbare of the

German general insurance market is nearly three times greater than that of its closest rival, the Colonia Group - and is one of the reasons it enjoys lower costs. in Germany Allianz's expense ratio, which measures costs as a percentage of premium income, amounts to 21 per cent, several points less than most of its competitors not only in Germany but in the broader European market.

niike many of its UK rivals wbo distribute their products through independent brokers, Allianz also controls its sales outlets. its network of 8.000 full-time and 40,000-50,000 part-time exclusive agents. helps it retain customer loyalty and makes it difficult for competitors to take market share. Allianz retains 90-95 per cent of its customers each year, compared with 75-80 per cent for UK compa-

Allianz's property and financial assets - often valued at the cost at which they were acquired rather than their present market value - represent a huge store of hidden wealth. Mr Tom Bennett, analyst with Banque Paribas Capital Markets, estimates that unrealised capital appreciation on Allianz's 25 per cent boiding in Munich Re. Germany's largest

remsurance company, exceeded DM1.1bn last year. And unlike some of its German competitors, Allianz has already hegun to reorganise its operations to adjust to the expected increase in competition. At

the beginning of 1992 Allianz announced a reorganisation of its husiness on the basis of customer types: individual customers; small businesses; multinational Finally, foilowing its rapid expansion ahroad in the late 1980s, Alllanz is no ionger so dependent on its domestic mar-

ket. In 1992 subsidiaries in the US, the UK, Italy, France and elsewhere generated nearly half of the DM54.7hn premium income. More recently it has begun to move into Asia, announcing a joint venture with the Japanese retail company, Nichii, to sell personal accident and liability insurances in 50 department stores from the autumn.

Premium income is expected to grow to more than DM60bn in 1994, with general business now as large as the four higgest UK Insurance companies together. It looks as though, even with the problems of the German market, there will be little resplte for Alii-

Funds set sights on European shares

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EUROPEAN equities, and French shares in particular, have seen a surge in popularity among UK fund managers, according to the latest Smith New Court/Gallup Snrvey of fund managers released today.

A balance of 37 per cent of

fund managers questioned in themonthly anrvey said they planned to increase their holdings in European equities, compared with only 13 per cent in the July survey. The halance of fund managers refers to the difference hetween those institutions who are bullish and those who are bearish abont a market The sharp rise in the popular-

ity of European equities probably stems from the recent shake-up of the Enropean exchange rate mechanism, seen as paving the way for official interest rates to tumble across continental Europe, which investors hope will stimulate economic recovery.

On the European front, 87 per cent of fund managers said they preferred French equities to Ger-Meanwhile, a balance of 33 per

cent of managers said they intended to raise their weightings in UK shares, np from 12 per cent in July. A much higher proportion of fund managers now think that the outlook for the UK economy over the next 12 months is hrightening.

Expected earnings per share growth for 1994 has jumped from 14.4 per cent to 15.7 per cent.

Institutional investors have lowered their inflation forecasts. predicting that the Retail Price Index will be 2.7 per cent by the end of 1993 and 3.7 per cent by the end of 1994.

On the fixed income side, a balance of 11 per cent of fund managers said they would decrease their holdings in glits. compared with 1 per cent the previous month, and a balance of per cent sald they would decrease their holdings in overseas honds and deposits, whereas a balance of 3 per cent planned Concentration of ownership to increase exposure last month. According to the survey, pen-

follows: UK equities, 58 per cent; US equities, 6 per cent; European equities, 8 per cent; Japanese equities, 5 per cent; other equities, 5 per cent; UK gilts, 6 per cent; UK property, 4 per cent: UK cash, 3 per cent; overseas bonds and deposits, 3 per cent; index-

French stores tot up the impact of recession

By Alice Rawsthom in Paris

French retail groups have highlighted the depressed state of the retail sector by announcing falls in sales for the first half of the

French retailing has come under intense pressure in recent months as the economy has slid into recession.

The reductions in interest rates

GALERIES Lafayette, La Redoute stimulate consumer spending problems at its flagship store in and a number of other leading Confidence is still weak hecause New York. of the continuing rise in unemployment.

As a result, many large retail groups saw sales fall in the first six months of the year. Galeries Lafayette, the department store concern, reported a 7 per cent reduction in sales from FFr14.87bn (\$2,52bn) in the first half of 1992 to FFr13.8bn. The

since the March parliamentary group has been affected not only 3.6 per cent from FFr8.91hn to triggered a stream of takeover elections have so far failed to by the French recession but by FFr8.58hn.

> Monoprix, a chain of mixed merchandise stores belonging to the Galeries Lafayette group, also registered a fall in interim sales. Its turnover slipped by 5.7 per cent from FFr4.97bn in lbe first half of 1992 to FFr4.68bn.

La Redoute, the dominant player in the French mail order market, saw its sales decline hy BHV, whose interests include a

tion in first half sales of 6.7 per cent to FFr1.75hn from FFr1.88bn. The news of these falls in sales.

which reflects a generally gloomy trend in the French industrial and service sectors, comes at a turbulent time for French retailing. Strains on the sector have activity.

famous store heside the Hôtel de Ville in Paris, suffered a reduc-such as Pinault-Printemps, Carrefour and Gaieries Lafavette, have expanded by acquisition. Similarly, a number of new

players have surfaced in French retailing, notably Tesco, the UK food retailer which took over Catteau supermarkets, and Kingfisher, the UK group that now owns the Darty electricals chain. I linked gilts, 2 per cent.

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last, scraped its way through both Houses of Congress. But, despite the palpable sighs of reliaf in Washington at the weekend, some economists fear that his plan could deliver the worst of both worlds.
Their worry is that the reve-

nue-raising credentials of Mr Clinton's seemingly dour pack-age of tax increases and spenduse cuts have been over-sold: the promised cuts in the US budget deficit will not materialise, but Mr Clinton will nonetheless get the blame for scaring the American economy out of the recovery it needs.

For, whatever communication problems the Clinton administration may have had over the past few months, the package has come with a clear message that taxes will rise. Not surprisingly, consumer and business confidence have fallen sharply this year.

The US consumer confidence index, calculated by the Confarence Board, a New York Business analysis group, fell to 57.7 In July, the lowest level since last October and sharply down from 76.7 in January. The index of husiness confidence feli to 57 in the second quarter, from 66 in the first quarter, its lowest level since the end of 1991.

Yet, despite popular fears that the tax burden will rise, Professor Martin Feldstein, head of the economics department at Harvard University and erstwhile chairman of President Reagan's Council of Economic Advisers, contends that many of the projected tax revenues will not materialise. A longstanding critic of the

Clinton tax plan, Professor Feldstein claims that many of the tax changes - such as raising the income tax rate on individuals earning over \$115,000 from 31 to 36 per cent - are so badly designed that taxpayers only need to change their behaviour a little for many of the projected new rev-

President Bill Clinton's Tax fears put blight on US budget relief

According to his calcula-tions, if high-earning individuals are able to lower their taxable income hy just 10 per cent of gross adjusted income then the US Treasury will only see about a quarter of the additional revenues it might have hoped for. The Administration's projections made little allowance for such changes of behaviour as tax avoidance or

reduced work effort. Ironically, the government's reluctant decision to back-date income tax increases to the beginning of 1993, rather than have them start from June 30 as originally planned, provides

More important has been the plan's tax-raising reputation and a sense of foreboding abont what has not yet been unveiled. The Administrations's plans for reforming the health and benefit system look set to involve further increases in marginal tax rates on wages. According to Mr Hale, com-panies, especially small ones,

are also worried about the impact of the Clinton health and other programmes. Their fear that these will increase labour costs partly explains why many have chosen to lengthen the working week as demand has risen, rather than take on new staff.

Economics Notebook

By Stephanie Flanders

a short-term answer to Professor Feldstein's criticisms. At least in the first round of revenue-collecting, the government is more likely to collect the full increases because they have been sprung on individuals

after the event. Mr David Hale, an investment analyst at Kemper Financial services in Chicago, claims that apprehension about Mr Clinton's economic plans is behind the recent slump in consumer and business confidance. He says most households are concerned about the Clinton tax programme "despite the fact that most of the tax increases will fall on

incomes above \$100,000." It is not so much the fine print of Mr Clinton's package that is denting confidence.

These corporate worries are bad news for the US economy. Mr Clinton's emphasis on taxing labour - both in the deficit package and through the most likely options for health funding - may have contributed to the uneven recovery in the US iobs market which has accom-

panied the upturn. Mr Clinton must hope that the negative effects of this uncertainty on economic growth are more than offset by the positive effect that cutting the deficit should have on investment and thus on Amerlca's long-term growth rate. Countries with higher national savings rates tend also to have higher rates of domestic investment in industry.

By persuading the financial markets that the government is going to cut the deficit, the hudget package should bring down long-term interest rates and makes it cheaper for com-panies to borrow funds. However watered-down the agreed deficit package, Mr Clinton appears to have been remarkably successful in reassuring the markets. Long-term bond yields, for instance, are at his-

torically low levels. Entirely by accident, Mr Clinton's economic policy appears to have achieved a second auccess over the past few months by persuading consumers to postpone their spending decisions. For it is not just the American government which consumes too much and saves

While the high federal hudget deficit eats up too much of the nation's savings pie, the spending habits of American consumers make it a smaller pie to begin with. Of the 5.6 percentage point decline in US national savings as a proportion of gross domestic product since 1980, 3.4 percentage points can be traced to higher public borrowing. The remainder is due to a fall in saving hy

the American personal sector. By inducing consumers to save more than they need to pay their expected tax bill, Mr Clinton's fiscal reform might also boost US investment hy raising national savings.

US personal savings, as a percentage of disposable income, rose to 4.9 per cent in the first three months of this year from 4.4 per cent in the fourth quarter of 1992, though the signs are that the trend has not continued.

Mr Clinton can rightly he blamed for allowing uncertainty and fear about his tax plans to threaten America's nascent recovery. Bnt, by pushing up private savings, he has also achieved, albeit in an accidental and haphazard manner, what many would have him plan to do on a permanent

US bond markets, Page 16

Chinese interest in UK flotation

By Terry Byland

THIS week will hring the first Itsting on the London stock market of a company involv-ing Chinese state ownership, with the quotation tomorrow of Fortune Oil.

Fortune is aiming to capital-ise on the rapidly rising stream of oil tmports into The company was created via the acquisition by Black-

iand Otl, a former London

USM company, of Kingsieigh Petroleum of Hong Kong. Kingsleigh's shareholders, which now become investors in Fortune Oil, incinde such ieading Chinese state corporations as China National Electrontes Import and Export, China National Aero-Technol-

ogy Import & Export, and China North Industries. The new company has been floated in London because the Hong Kong stock market lists no oil and gas companies.

Kingsleigh's owners will hold 70 per cent of Fortune's stock, with Blackland holding only 1 per cent. The rest of the new shareholders, expected to number between 500 and 600, will enter through the London placing of £10m of new shares. About half of the proceeds of the London placing will be

used to pay down debt, with

the rest available for addi-

tional investments, some in

Blackland's interests in small

oilfields in Lincolnshire. Fortune pians a \$25m offshore mooring project and also has a contract with the Maoming refinery, which is one of Fortune's shareholders.ports. The listing of the first "red chip" company, Page 14

are moving.

From Monday 9th August The Newton Group of Companies will be located at 71 Queen Victoria Street, London EC4V 4DR.

> Telephone: 071-332 9000 Fax: 071-332 9033 Telex: 291931 NEWTON G.

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By Catherine Milton

ALLERGAN, the US-hased

drugs distributor, has sold

Hydron, the contact lens

maker, to a management

new managing director who

led the huy-in team, declined

to disclose the full purchase

Capital Partners, who

He said CINVen and CVC

arranged the finance, had

jointly underwritten funds of

£14m, entirely in equity. Nat-

West Acquisition finance is

understood to be providing additional banking facilities of

Mr David Milne, CVC assis-

tant director, said: "In the

long run it would seem sensi-

Mr Glhson said: "Hydron

intends to be at the forefront

of research and development

in this sector which will be

key to the company maintain-

ing and increasing its market

The deal excindes the use of

the Hydron name in the US.

However, the MBI team is huy-

ing ioterests including mann-

facturing facilities in the UK

(Farnborough), Australia and

Spain, the contact lens sales

force, research and develop-

ment projects and the rights to

patents and licences. The com-

pany had a co-operation agree-

Hydron is forecasting sales

of £30m for its first full year of

operation but is oot disclosing

The new, independent com-

pany is expected to emplay

about 500 people worldwide

and will have operations in

the UK, France, Netherlands,

Spain, Italy and Anstria.

Hydron claims a significant

share of the contact lens

Hydron was one of the first

manufacturers makers of soft

contact lens and bas been

operating internationally since

1972. It was acquired by Aller-

markets in each of these coun-

ment with Allergan.

any previous results.

about £13m.

share.

buy in team for about £27m.

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The coa dard ans £2m a yea you do they coll: the coal. pits agai £400m-£50 you are ties in 1 industria suhsiden

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Seeking a fortune in London

a UK listed company hy a Hong Kong trad ing concern as a means of increasing sales of oil to communist China might seem a rather tortuous way of going about it. But such is the deal which will lead to the appearance of a new name on the London stock exchange tomor-

row : Fortune Oil. The company has emerged from the acquisition by Blackland Oil, a USM-traded company, of Kingsleigh Petroleum of Hong Kong. Blackland had suffered a string of lossmaking years and was heavily indebted. But its reverse takeover hy Kingsleigh will enable it to issue £27m of new shares to the vendors, and make a placing of £10m additional shares in the market.

Blackland's original shareholders will end up owning only one per cent of Fortune stock, Kingsleigh's owners will have 70 per cent, and the rest of the shareholders will come through the placing.

The deal was constructed in this way to enable Kingsleigh to tap the London market's large oil and gas sector and obtain a listing. The Hong Kong market lists no oil and gas companies and gave Kingsleigh no prospect of being able

Better time

for Crown

DESPITE showing falls of 6 per

cent in turnover and profit,

Crown Eyeglass is raising its

This is a reflection of the

directors' confidence, Having

dividend by 1p to 7p for the

Eyeglass

year ended March 28.

David Lascelles on the listing of the first 'red chip' company

cannot meet its needs in full.

and its hest reserves are

located in the north west of the

country, far from the consum-

This has produced shortages in the hooming provinces of

the south east, where enter-

prises have been released from

their obligation to import oil

through the state oil monop-

Fortune has a scheme to

install a floating mooring 15km off the south China coast

linked hy subsea pipeline to the mainland Guangdong prov-ince. This will enable oil to be

delivered to China in much

larger crude carriers than can

currently access its ports, and

therefore more cheaply.

The installation will he in operation by the end of next

year with a capacity of 200,000

barrels a day, or 10m tonnes a

year. There will also be storage

facilities on shore. The project

will cost \$25m [£17m) which is

being financed hy a hank

Fortune has a take-or-pay

contract for 3m tonnes a year

with the Maoming refinery which is linked to the landing

the first half loss of £70,000 the

company made a 2-for-7 rights

issue at 35p to raise £240,000

The shares are currently trad-

ing centres.

to do the deal on its bome turf. according to Mr Malcolm Stone, the vice chairman. He expects to pick up 500-600 shareholders through the plac-

Kingsleigh was set up in 1989 to trade crude oil and petroleum products mainly with China, with which it has close links. Its sbareholders (who will now be in Fortune) include the founding families from the Far East, as well as several Chinese state corporations, such as China National Electronics Import & Export, China National Aero-Technology Import and Export, and China North industries.

n fact, it is believed that Fortune will become the London Exchange's first "red chip" company with

The immediate prospects of Fortune are huilt round Chi-na's expected need for fast-rising oil imports. With an annual growth rate of 9 per cent, the economy is outstripping the capacity of its domestic oil industry. Although China is a large oil producer, it

which makes spectacles and

ready made reading glasses.

had consolidated its position

chises in the UK and re-estab-

Start-up costs were incurred

in Sweden. The third optical

by opening six new retail fran-

lishing itself in Sweden.

rise to 5m tonnes in 1998. Maoming is also a shareholder in Fortune with 2.6 per cent Mr Ng Juak Khoon, a For-

tune executive, stresses that while the mooring huoy is key to the strategy, he sees it as the hasis for a much wider husiness in China which will include trading petroleum products and even liquefied natural gas. The huoy is an extension of our trading husi-

ness," he says. At present there are only two refineries serving the six Chinese provinces within striking distance of the facility, hut three more are planned.

roceeds of the £10m plac ing will help pay down debt and leave the group with about £5m for additional investments. Some of this will be used in the UK where Blackland has interests in some small olifields in Lincolnshire. But investor interest in Fortune will doubtless centre most closely on the "China factor" the country's rapid rate of growth and its growing com-mercialisation. However Mr lan Taylor, the chief operating

officer, says: "We don't want the China hype. We want the China interest."

Turnover in the first quarter was £738.1m (£668.2m).

Mt Edon/Burmine

The dividend is beld at 0.5p on the increased capital, payahle November 1, and is met from losses per share of 1.3p

Arjo Wiggins

bolding.

It pointed out that figures may differ from sales revenue shown when the interim statement is published, after the

Australian concern.

Mount Edon, which Is hacked by Swiss money. already owns 18 per cent of Europa and recently made an approach which might lead to an offer for the rest.

|Spring Ram shareholders | Buy-in team acquires face further uncertainty Hydron for about £27m Ram'a shares rose 15p to 69p

By Andrew Bolger

SHAREHOLDERS in Spring ens group, face continuing uncertainty after a week of inconclusive bid talks and growing tension at hoard level.

Masco Corporation, one of the largest building products Mr Tim Gibson, Hydron's groups in the US, last week met Mr Roger Regan, the Yorkshire company's new chair-However, Spring Ram said

the Masco executives only spoke in general terms about the industry and returned to the US without making any The Yorkshire company

denied reports that Masco had said it could only offer 45p a share. Last Monday Spring.

after it confirmed that talks had taken place with several

co's approach at the beginning of last week has not helped the

parties, including Masco, but emphasised that the approaches were of a preliminary nature. However, the leaking of Mas-

working relationship between Mr Regan and supporters of Mr Bill Rooney, the co-founder of Spring Ram who lost his job as chairman but is continuing as chief executive.

Mr Rooney's role as executive chairman was taken a fortnight ago by Mr Regan, a building industry veteran. He was approached by institu-tions, led by Prudential Corporation, after the company issned three profit warnings within eight months, causing a

Mr Regan is working with Mr Rooney on a trial basis and if the relationship does not work out, then Mr Regan has enough votes on the new board to sack him.

The new chairman is now concentrating on preparing for Spring Ram's interim results 22, and has said he is not interested in "bargain-hunters".

Mr Regan and Mr Martin Towers, his new finance director, are being assisted in their investigations into the company by the Liverpool office of Price Waterhouse, the accountants. Price Waterhouse is likely to replace Spring Ram's existing anditors, Arthur Andersen, which signed of the annual accounts without qualification.

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Colorgen acts to dampen speculation hle to float the company on the London Stock Exchange. But we have no immediate plans to do so.

COLORGEN has sought to dampen speculation by forecasting a 9 per cent rise in annual profits before tax and exceptionals to ahout \$1m (£600,000) for the year to the end of June.

The announcement was made following the recent erratic trading of the USMtraded shares of this US-based

colour matching specialist Sales were estimated to have increased from \$11m to about \$14m. The results are expected to be published in October. Mr Peter Wall, managing director, said the board had

decided to issue the forecast following speculation that profits might be as high as \$2m.

Colorgen has also been the

focus recently of takeover spec-ulation, which on one day last month sent its shares 5p higher to 33p Mr Wall dis missed the rumours as absolute rubbish", pointing out that the board controlled more than 50 per cent of the

On Friday the shares closed 11/4p up at 34/4p.

	CROSS BORD	ER M&A DEALS		
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
PolyGram (Netherlands/UIC)	Motown (US)	Music .	£202m	industry consolidation
Générale des Eaux (France)/Singapore Telecom (Singapore)/ Yorkshire Water (UK)	Joint venture	Telecoms	£200m	UK cable draws foreign anvestors
Lion Nathan (New Zealand)	Unit of South Australian Brewing	Breving	£101m	Lion reinforces market position
Sprint (US)	Call-Net Enterprises (Canada)	Telecoms	c£83m	Link features equity stake
Weir Group (UK)	Darchem (UK/US/ Australia)	Engineering	£16m .	Non-core dis- posal package
Govett & Co (UK)	North American Trust Co (US)	Financial services	£2.6m	High net worth to
Filofax (UK)	Libris Media (Sweden)	Distribution	. £1.5m	Goodwill gesture
Techne Corp (US)	Unit of British Blo-Technology (UK)	Blotechnology	£1.5m	Deal includes warrant feature
Courtsuids Textiles (UK)	Galler Iberica (Spain)	Textiles	n/a	Also buying sister company ±
Holderbank (Switzerland)	Climenterie de L'Oriental (Morocco)	Cement	n/a	Establishing Maghreb toshold

they were now looking for a £16,000 in the second half. fluctuations, period of controlled expansion.

established a platform for growth over the last two years, In the opening two months of the current year profits were ahead of budget and of last

ln 1992-93 turnover was £3.75m [£3.99m) and pre-tax profit £423,000 (£451,000), Earnings per sbare were 15.3p (19.4p) and the final dividend is

The USM-quoted group.

centre should open next month and additional outlets were envisaged later in the year.

Hilclare cuts loss Hilclare, the USM-traded designer and maker of electronic security and lighting products, recorded a profit of

That cut the pre-tax loss for the year ended March 31 1993 to £54,000, compared with a profit of £58,000 in previously. Results continued to reflect the recession in its markets and the year's turnover fell from £3.33m to £2.9m. The second half profit was achieved by

reducing the cost base. With the announcement of

BRADFORD PROPERTY TRUST

Dividend up by 21%

★ Profit for the year before tax was £21,094,000 against £23,075,000 in the previous year: these include a net surplus on rental income of £11,828,000 against £9,793,000. The directors recommend the payment of dividends totalling 5.4p per share, an increase of £1% over the 4.45p.

(earnings 2p).

ing at 36p.

Arjo Wiggins Appleton, the paper company, reports turn-over up from £1.3hn to £1.43bn in the six months to June 30, benefiting from exchange rate

Arjo made the announcement to comply with Paris Bourse regulations, required because St Louis, the French company, bas a 39 per cent

usual management review.

The proposed three way

merger between Europa Minerals, a small UK mining finance house, and twn Australian companies with which it already has close associations, Austmin and Burmine, is looking increasingly problematical after a further intervention hy Mount Edon, another

Now it has turned to Burmine, which' some analysts believe might be its prime target, and paid about AS3.3m for an 8.8 per ceut stake, Europa owns 41.8 per cent of Burmine and Austmin holds 19.8 per cent of Europa

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Oceonics Group PLC

(Registered in England No. 1226718)

Placing and Open Offer by

Marshall Securities Limited

4,626,947 new 6 per cent. Cumulative Convertible Redeemable Preference Shares 1999

The Listing Particulars relating to the placing and open offer which include details of the new Convertible Preference Shares have been published and copies of the Listing Particulars may be obtained during usual husiness hours up to and including 11 August 1993, for collectino only, from the Company Announcements Office, London Stock Exchange Tower, Capel Court entrance, off Bartholomew Lane, London EC2 1HP and during usual business hours up to and including 26 August 1993 from the registered office of the Company, Hill House, I Little New Street, London EC4A 3TR, from the Company's Registrar's and paying agents. The Royal Bank of Scotland plc, Registrar's Department, Owen House, 8 Bankhead Crossway North, Edinburgh EH II 4BR and from:-

> Marshall Securities Limited 99 Charterhouse Street London ECIM 6HR

9 August 1993

★ Profit from property sales was down £1.96m due to narrower margins in the depressed housing market. However, in the current year, our own indicators show that there has been a sustained increase in activity since early Spring which, looking forward to 1994, should begin to be ★ On revaluation of the property assets, the net asset value at 5 April 1993 was £1.70 per share compared with £1.75 per share last year.

- Our policy of retaining some of our properties as they tall vacant continues. Currently, 9% of our tenanted stock is let on Assured or Assured Shorthold tenancies producing in excess of £2.5m per annum, a significant contribution to the net surplus on rental income.
- Recent acquisitions are making satisfactory contributions to both trading and rental income: related borrowings are reducing accordingly. We intend to remain active in the market, taking advantage of suitable opportunities to increase our trading stock, from which, while relatined, our management expertisa will ansure the maximum contribution to rental revenue. * I believe that the way ahead offers further exciting opportunities and I have every confidence that
- we are well equipped to take full and profitable advantage of these Philip Warner, Chairman

Three year profit summary Year ended 5 April Rent less rates payable

Surplus from property rentals and other income Profit subject to taxation arnings par 5p ordinary share Dividend per 5p ordinary share (including tax credit)

NOTICE OF PARTIAL REDEMPTION

TO HOLDERS OF

DOMUS MORTGAGE FINANCE NO.1 PLC

\$100,000,000

MORTGAGE BACKED FLOATING RATE NOTES DUE 2014 Notice is hereby given that in accordance with Conditions 5(b) and 18 of the Notes, the Issuer hereby gives notice to redeem

18 of the Notes, the Issuer hereby gives notice to redeem \$10,200,000.00 principal amount of Notes, selected randomly as detailed below. The date set for the mandatory tedemption is the next coupon payment date being, 8 September 1993, and the Notes will be redeemed at their principal annunt plus accrued interest. Payment will be made against surrender of the Notes, together with all appurtenant Coupons maturing after the date set for redemption at the offices of the Paying Agents, named on the Notes. On and after 8 September 1993, the redeemed Notes will cease to accrue interest.

The amount of any missing unmatured Coupons will be deducted

from the sum due for payment. Any amount of principal so deducted will be paid against surrender of the relative missing Coupons within five years from the date of payment. The redeemed Notes will become void unless presented for payment within ten years of the

The nominal amount that will be outstanding after the Nores listed below have been redeemed is \$28,100,000.00.

The Serial Numbers drawn for mandatory redemption are as

108 114 119 121 123 133 147 167 168 181 188 193 208

114 119 121 123 133 147 167 168 183 193 208 215 223 233 241 244 258 296 277 279 285 297 327 343 344 351 353 367 367 375 381 388 393 398 410 415 426 429 433 434 436 415 447 452 474 488 491 501 506 522 526 527 546 548 552 554 561 565 577 584 613 621 631 641 648 653 655 662 671 674 679 687 696 704 712 716 723 733 742 747 748 753 768 709 773 788 805 824 826 833 838 846 847 863 869 877 878 898 904 913

CHEMICAL

Principal Paying Agent Dared 9th August 1983.

redemption date.

1993 17,362 12,190 21,094 14,362 12,920 14.521 10,358 22,998 15,353 10.60p 10.76p 9.87p

THE BRADFORD PROPERTY TRUST PLC, 69 MARKET STREET, BRADFORD BD1 1NE

LEGAL NOTICES

CRUMMY, DEL DEG, DOLAN, GRIFFINGER & VECCHIONE A Professional Corporation
One Riverfront Placa
Newark, New Jersey 0°102-5497
(201) 596-4500
Autometys for Official Creditors' SHANLEY & FISHER 131 Madison Avenue Morristown, New Jersey 07962 (201) 285-1000

UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF NEW JERSEY

Case No. 43-20134 (NLW)

MUTUAL BENEFIT OVERSEAS, INC.,

NOTICE OF HEARING ON CONDITIONAL SALE OF SUBSTANTIALLY ALL DEBTOR'S ASSETS PURSUANT TO 11 U.S.C. § 363 (b)

ALL DEBTOR'S ASSETS PUBSUANT TO 11 U.S.C. § 363 (b)

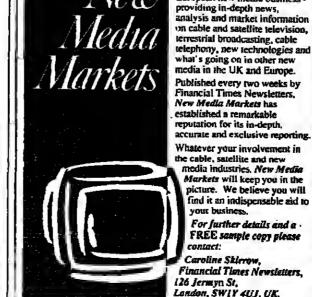
NOTICE exhereby given that a hearing shall be held on August 31, 1993, at 10:00 a.m. or as soon hereafter as counsel may be heard. Defore The Honorable Novalyn L. Winteld. United States Bushruptey ledge, at the United States Bushruptey Lodge, at the United States Bushruptey Court. King Feeleral Bushruptey. Of Waltur Street Hind Floor. Newark. News Jersey 07102, to consider a point motion the "Motion" by National Benefit Overseas, Inc. the "Debtor" and the Official Creditors. Conveniete to approve at of the sale of specified Assets of the Debtor for defined in the Motioni consisting generally of a portletion of mortgage loans with an outstanding halance as of April 30, 1993 of approvimately 5320 8 and long subject to principal payments, and adjustments as self forth in the bedding procedure, for the Assets inneved to the Motioni, in the event that a contract for sale of such Assets has been executed and filed with the Clerk of the Bunkruptey Court by August 20, 1993.

If a Contract for sale of the Assets is executed, the contract will be filed with the Clerk of the Bunkruptey Court, 50 Waltum Street, Novarak, New Jersey, by nolater than August 20, 1993 and shall at available for inspection at the Clerk's Office between the hour, of 9014 am, and 4 00 pm. Accept in the Contract may be requested after August 20, 1993 by contacting the undersigned.

Objections to the Motion shall be made in amining and filed with the Clerk of the Court and served apon the Oebtor and Continues. Commode by no later than August 27, 1992. Responsely of Additional officency and Continues to the Assets or the proposed all charded be directed to the undersigned.

CRUMMY, OEL OEO, DOLAN,
GRIFFINGER & VECCHIONE
A Professional Corporation
One Riveriron Plaza
Newark, New Jersey 07102
201-504-500 Co-Official Creditors' Cot

By: Paul R. Defillood



what's going on in other new media in the UK and Europe. Published every two weeks by Financial Times Newsletters. New Media Markets has established a remarkable reputation for its in-depth. accurate and exclusive reporting Whatever your involvement in the cable, satellite and new nedia industries. New Media Markets will keep you in the picture. We believe you will find it an indispensable aid to your busines For further details and a FREE sample copy please contact:

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European new media business

Caroline Sklerow Financial Times Newsletters, 126 Jermyn St. Landon, SWIY 4UJ. UK. Tel: +44 (0)71 411 4414. Fax: +44 (0)71 411 4415.

FINANCIAL TIMES NEWSLETTERS

Saehan Media Co., Ltd.

(the "Company") (incorporated in the Republic of Korea with limited liability) Notice of Bondholders Additional Option to Redeem Bonds and/or Revoke the Notice of Redemption To the holders of the Company's outstanding

U.S.\$30,000,000 Convertible Bonds Due 2003 [Redeemable at the option of the Bondholders in 1993 or 1995].

(the "Bonds")

NOTICE IS HEREBY GIVEN that: (i) under Condition 7(D) of the Bonds, (a) Bondholders may (the Bondholders 1993 Put Rights , subject as therein provided, by completing, signing and depositing at the specified office of a Paying Agent hunng normal business hours of such Paying Agent not less than 20 nor nore than 39 days prior to 4th October, 1993 a notice of redemption in the form [for the time being current) obtainable from any Paying Agent, to require the Company to redeem all or some only of the Bonds held by them at 123.95 per cent. of their principal amount together with account nterest and [b) a notice of redemption, once deposited by a Bondholder,

(ii) in order to provide Bondholders with greater flexibility as regards then holdings of Bonds, the Company has requested the Trustee to concur with it in modifying the Trust Deed and Condition 7(D) of the Bonds so as to provide additional rights (the "Bondholders' 1995 Put Rights") identication all respects to the Bondholders' 1993 Put Rights except for the relative redemprion date to be 4th October 1995 and the relative redemption amount will be calculated by Daewoo Securities Co., Ltd. and approved by the Trustee in accordance with the formula sec our in the Sur Trust Deed defined in [vi) below.

(iii) The 1995 Put Price shall be notified to Bondholders in second with Condition 14 of Part I of the First Schedule of the Original Trust Deed as soon as possible after 21st September, 1993, but in any event, not later than 28th September, 1993.

[iv) In addition, the company has requested the Trustee to concur with it in modifying the Trust Deed and Condition 7(D) of the Bonds so as to permit notices of redemption to be revoked with the written consent of the

Any Bondholder wishing to revoke such notice of redemption must obtain the written consent of the Company by application through one of the Paying Agents set out below prior to depositing a notice of revocation at the office of the Paying Agent where such Bondholder's original notice of redemption was deposited. Any such notice of revocation must be deposited at the offices of such Paying Agent and during normal business. hours of such Paying Agent but in any event no later then 5.30 p.m. (local time of the City, where the relevant Paying Agent is located) on 28th September, 1993 as regards the 4th October, 1993 Pur Date and 28th September, 1995 as regards the 4th October, 1995 Pur Date.

 (v) the Trustee, being of the opinion that such modifications are not materially prejudicial to the interests of the Bondholders as a whole, has concurred with the Company in making the proposed modifications; and (vi) The arrangements set out above will be embodied in a Supplementa Trust Deed to be executed by the Company in favour of the Bondholders on or before 6th August, 1993 (the "Supplemental Trust Deed"): Content of the limit form of the Supplemental Trust Deed are available for inspection at the offices of the Principal Paying Agent and the paying agents set out.

Principal Paying Agent Citibank, N.A., 336 Strand. London WCZR (HB -

Paying and Conversion Agents Ciribank, N.A., Avenue de Tervuren 249,

Citicorp Investment Bank Luxembourg) S.A. 16 Avenue Marie Thérese, Luxembourg

Citicorp Investment Bank (Switzerland), 63 Bahnhofsmasse, CH-8021 Zurich

B-1150 Brussels

Citicorp Centre, 18 Whittield Road, Causeway Bay.

Cicibaok, N.A.,

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INTERNATIONAL COMPANIES AND FINANCE

Swissair loss deepens to SFr125m at halfway

fuel price increases.

brofit

Depreciation charges were

down from SFr197m to

SFr185m. Swissair depreciates

its aircraft rapidly and sells

them while still relatively new.

In recent years, only the pro-

ceeds from aircraft sales,

which are booked at the year-

end, have kept the group in

already recorded "sizeable

book profits" on aircraft sales

• Holvis Holzstoff, the Swiss

non-wovens group, said net profits in the first half rose 6.8

per cent to SFr19.6m on sales

Air Canada | Northwest Air settles

By Nikki Tait in New York

NORTHWEST Airlines, the

fourth-largest US carrier,

announced it has reached final

agreement over the restructur-ing of its finances and estab-

lished new labour contracts.

The arrangements are effective

On the financial side, North-

west's bankers have revised

the repayment terms on a

\$1.3bn term loan. Northwest

must now repay \$77m in 1994.

\$131m in 1995, and \$185m in

Repayment terms on a sec-

ond, special term loan of

250m, provided last winter,

have also been adjusted. The

new schedule requires the car-

rier to repay \$15m in 1993, \$14m in 1994, \$24m in 1995, and

Owners of Northwest's series

A and series B preferred stock

have agreed to a permanent

dividend reduction from 14 to 8

per cent, while redemption

By Victor Mallet in Bangkok

CHAROEN Pokphand Feedmill

(CPF), the main Bangkok-listed

agri-industrial and aquaculture

company of the multinational

CP group, has announced a

rise in second-quarter net prof-

its, to Bt337.48m (\$13.5m) from

A poor first quarter, how-ever, has left first-half net prof-

its at only Bt493.10m. com-

pared with Bt596.65m in the

Stockbrokers in Bangkok are

wary of reading too much into

the figures because of the com-

plex links between the group's

Bt293.08m in the sam

the first half of 1992.

last year.

dates have been extended to

after August 1.

\$34m in 1996.

The airline said it had

By lan Rodger in Zurich

SWISSAIR, the Swiss national airline, said its first-half loss widened to SFr125m (\$82.7m), compared with a loss of SFr116m in the same period

Profit before depreciation tumbled to SFr60m from SFr81m, and the company said it would be difficult to meet its forecast of achieving a profit this year.

Traffic volume improved 9.5 per cont and the overall load factor rose from 59.3 per cent to 62.5 per cent. However, revenues advanced only 2 per cent to SFr2.47bn.

Swissair said the figures reflected "the troubled state of the world's air transport industry, which remains plagued by a ruinous price war". The com-

returns to

black with

tax rebate

AIR CANADA reported its first

profitable quarter in almost two years, helped by a C\$46m

(US\$35.7m) fuel tax rebate.

The June quarter net profit

was C\$14m, or 19 cents a share,

against a loss of C\$129m, or

C\$1.73, a year earlier. Operat-

ing revenues rose 2 per cent to

Second quarter operating

Air Canada said despite

fewer passengers carried, it was the third consecutive

quarterly gain at the operating

The higher yield reflected

We are getting results from

success in holding down fare

discounts and reducing surplus

two years of cost-cutting and

we are a smaller but more effi-

cient airline," said Mr Hollis

The first-haif loss was

C\$279m, or C\$3.77, including a

C\$80m write-down of Air Cana

da's investment in GPA, the aircraft leasing group, and a C\$64m provision for retirement

A year earlier the loss was

C\$293m, or C\$3.96. Operating

revenues were C\$1.7bn, against

SNC Lavalin, a Canadian-

hased international engineer-

ing group, continued its turn-

around in the first half, with

profit of C\$8.8m, or 60 cents a

share, up from C\$700,000, or 5

cents, a year earlier, on

revenues of C\$357m, up 12 per

Most of the gain came in the

second quarter, helped by

advance payments on interna-

tional contracts and lower

operating costs.

3

Harris, president.

profit was C\$67m, against an

operating loss of C\$35m.

writes Robert Gibbens.

C\$905m.

ulation

pany foresaw no improvement up 7.7 per cent to SFr393.9m, "in spite of unfriendly ecoin revenues in the second half, and was continuing to concennomic circumstances". trate on cutting costs. Costs rose 3 per cent in the first half. to SFr2.4hn, mainly because of

terms for restructure

The group, in which the British Rail Pension Fund has a 15 per cent stake, forecast that net income in the full year would be between SFr31m SFr33m, hroadly and unchanged from last year'a SFr32.7m.

Last year's figure was flattered by a SFr9m extraordinary gain on a property sale, and this year the group has already made a SF17.5m book profit on the sale of Italian sub-

Holvis warned it was examming the technical state of its production equipment. However, possible valuation adjustments "should he covered through available provisions for restructuring", it said.

the years 2002 and 2003. In

addition, three suppliers to the

airline - Airbus, General Elec-

tric and United Technologies -

are accepting revised repay-

line's employees have agreed to make wage and benefit con-

cessions worth \$886m over

three years, and will receive

units of preferred stock in

return. The size of the stock

grant will be determined by

the extent of wage reduction.

In aggregate, the employees'

preferred stock can he con-

verted for a 37.5 per cent inter-

est in the company's ordinary

equity, or redeemed for an

amount equal to the cost

reductions at the end of 10

Finally, Northwest's board

will be expanded from 13 to 15

members, and new directors

representing the three largest

labour groups - the pilots,

machinists and the flight

attendants - will be appointed

public companies and its large

private interests. However they

say prawn feed sales were hit

earlier in the year by disease

The chicken feed husiness

has suffered from sharp fails in

the export price of frozen

chickens over the last 18

months, partly as a result of

increased competition from

Bangkok Agro-Industrial

Products, a listed CPF subsid-

iary, reported second-quarter

net profit of Bt48.54m, up from

Bt37.67m a year earlier, while

CP Northeastern's net profit

rose to Bt33.03m from

Bt27.66m.

in Thai prawn farms.

"in the near future".

Thai farming group rises

to Bt337m for quarter

On the labour side, the air-

ment schedules.

Scandinavia's SAS. In the Alcazar project,

ا مكنامن المحل

Lufthansa

link-up with

LUFTHANSA has offered

fellow carrier Austrian Air-

lines a co-operation deal

which, if concluded, would be

a hlow to plans hy three other

airlines for a European mega-

carrier, Reuter reports from

Lnfthansa yesterday con-

firmed a report in a Viennese

newspaper that it made ap

offer for a link-up to Austria's

offers to

Austrian

Frankfurt.

spokesman.

which envisages one single big airline by 1997, Anstrian would play only a minor role. since it would only get a 10 per cent equity stake in the venture while the others wonld have 30 per cent

He stressed the offer should

"We want to tie partners to us" through co-operation deals so as to distribute capacity in a more economically sensible way, Mr Grendel said.

Der Standard had quoted an as saying the Lufthansa proposal would hring the carrier significant savings.

in Kuala Lumpur

Malaysian plantations, gaming and ruhher group, has announced pre-tax profits for the six months to June 30 1993 of M\$476m (US\$186m), a 46 per cent rise on a year ago.

gare and BPA. He said Tre Byggare's equity/assets ratio

the deal "This is the first major merger in Sweden's current huilding industry crisis. Further rationalisation in the sector will be needed as the market is not going to increase for the next two years," said Mr

Later this year Tre Byggare, ceot in the company.

third-largest commercial hank. bounced back into the black in the first half with a profit before extraordinary items of NKr145.9m (\$19.7m).

The result, which confirms

interest rates.

pront in 1989.

Loan losses fell to NKr199.7m from NKr404.6m.

items, while lahour-intensive industries move across the Taiwan strait. The arithmetic here would seem compelling. Wages in Taiwan for the average skilled worker amount to between \$1,500 and \$2,000 per month, compared with \$40 per month on the mainland.

In line with these impera-

tives, Formosa Plastics, in it

latest annual report, made no secret of its helief that the mainland offered the best prospects for growth. Interestingly, the company chairman Y.C. Wang used the report to press the case politically for a lessening of restrictions on investment in the mainland.

His remarks make interesting reading, especially in light of what is seen as the enormous potential economic strength of greater China. including Taiwan, Hong Kong and the mainland itself.

Arguing for inveating in China rather than other economies in south-east Asia, Mr Yang wrote: "The first advantage for investment in main land China is Its deep-rooted nationalism system. Contained in nationalism is very little worry of misappropriation of the incoming investor's management technologies. The second is the historical

anti-overseas Chinese events that would be avoided in the Chinese mainland, If private market reform would prevail one day, along with the hurgeoning of entrepeneurahip which would entail free competition." He added: "The mainland territory would offer a fahulous potential to accommodate many competitors." Formosa Plastics clearly

intends to he among these enterprises jostling for a share of the world's largest potential market, whether Taipei likes it

Taiwan's future lies a strait away Business with China is under new pressures, writes Tony Walker

1990

602.9

265.9

plans to huild a sixth naptha

cracking plant and associated

"Taiwan industry is at a crossroads," says Mr Wang.

"Problems include lack of

investment incentives, not to

mention the highest cost of

industrial land in the world

today, even higher than

Japan."
Citing pressure from what he

described as a "local mafia", Mr Wang said Formosa Plas-

tics' naptha plant had been

held up for six years while

argument raged about environ-

mental and other aspects of the

Taiwan considers its strategy across the Taiwan strait and

pressures the government to

ease restrictions, smaller enter-

prises have wasted little time

in seizing the opportunity. By

the end of 1992. Taiwanese husinessmen had committed

some \$8.5hn in investment, and

actual direct utilised invest-

ment had reached \$1.9bn. Some

8,000 to 10,000 projects had heen established with Taiwan-

ese involvement, the vast hulk

of them small and medium-size

enterprises. Average invest-

Mr Wang is planning a sub-

southern China, perhaps in the

order of \$200m, in a plant to

produce a range of Nan Ya

Plastics' staple items, includ-

ing PVC and polyester prod-

investment

ment totalled about \$1m.

While big husiness in

petrochemical facilities.

TAIWAN'S FOREIGN INVESTMENT (US\$m)

929.6

900.0

350.2 78.4

apparel.

1992

306.2

2,000.0

427,9

46.6

3,038.3 3,700.0

ucts for use in manufacturing

a range of consumer goods

such as handbags, shoes and

Nan Ya to set up factories in

China," said Mr Wang, "There

is a definite economic advan-

mainland. It would cut deliv-

ery times for our products,

bearing in mind that the fash-

lon husiness changes very

quickly. If there is a market,

you must go the market," he

Nan Ya is being drawn inex-

orably towards investment in

the mainland hy the spectacu-

lar increase in its China busi-

ness. Six years ago it was

exporting 10 per cent of its

products across the Taiwan

strait. Now, exports to China

have reached 60 per cent of its

tional cost of shipping

to China through Hong Kong

to satisfy the continued ban on

direct trade with China, He

estimates that for each stan-

dard 17-tonne 20 ft container,

additional shipping and han-

dling charges amount to about

\$700. Nan Ya ships about 50,000

tonnes of product to China

Mr Wang's sees his compa-

ny's future and the manufac-

turing future for Taiwan Itself

in the higher value-added

mong Mr Wang's chief

complaints is the addi-

total production.

"Our customers are asking

1993†

400.0

450.0

100.0

2.500.0

1994†

500.0

3,000.0

430.0

R Winston Yang, like his father, hillionaire Formosa Plastics chairman, Y.C. Wang, has strong views about the need for Taiwanese husiness to spread its wings to the mainland. "We will have to go to China. In my opinion our future direction is mainland China. We have to he close to our customers," says Mr Wang, 42. who heads Nan Ya Plastics Corporation, the higgest company in the Formosa Plastics group, Taiwan's higgest con-

ing for projects in China,

restraint on raising money on

the equity markets for invest-

ment across the Taiwan strait

and a requirement that permis-

sion he sought for certain cate-

all restrictions are lifted,

including permission for direct

trade and travel, a husiness

exodus would accelerate, drain-

ing investment away from Taiwan itself and jeopardising

the island's future prosperity

Mr Wang Jr. however, is ada-

mant that if husiness is to con-

tinue to expand, it must relo-

cate some of its operations to

its largest market. This is

partly, he says, because the

husiness environment in

Taiwan itself is becoming less

convivial as the costs of land

Environmental groups are

also increasingly assertive,

holding up key projects like a

nuclear power plant and For-

mosa Plastics' own \$7.6hn

and labour rise steeply.

and weakening it politically.

Taiwan's rulers worry that if

gories of investment.

state-owned carrier. glomerate. "We have held talks in His views are typical of those recent weeks and have asked held by Taiwanese huainess, them to make a decision hy which is growing impatient at the end of the month," said Mr the brakes placed on it by the nervous authorities on com-Josef Grendel, a Lufthansa mercial links with the mainland. These restrictions include a block on bank lend-

On Saturday, the daily Der Standard said Lufthansa presented Austrian with a detailed proposal that could here it away from the Alcazar plan being negotiated with Dutch carrier KLM, Swissair and

Mr Grendel declined to discuss details of the German proposal, saying Der Standard'a report was on the whole

be seen in the context of Lufthansa's Europe-wide co-operation projects aimed at ensuring a more efficient use of rontes and of jet capacity.

unnamed supervisory hoard member at Austrian Airlines

Leisure offshoot helps Genting to 46% advance By Kieran Cooke

GENTING, the diversified

The hulk of Genting's revennes and profits came from Resorts World, Genting's listed affiliated company which runs the gronp's gaming and leisnre operations. Resorts World Increased its pre-tax profits 53 per cent to M\$348m in the first half.

Last year Genting acquired a 6 per cent holding in Lourho. the UK conglomerate.

Swedish builders agree merger The turnround was due to

annually.

in Stockholm

TRE BYGGARE and BPA, the Swedish huilding groups, are combining to form Sweden's third-largest construction group in a significant rationalisation of the country's hardhit hullding sector. Malmo-hased Tre Byggare is

huying a majority stake in BPA from a group of trade unions, and is paying for the holding by selling it's entire shareholding in real estate company Wihlborg & Sons. The deal is worth hetween SKr500 (\$61.7m) and \$Kr600m.

The new company will have 20,000 employees and an annual turnover of SKr20hn, which puts it third in size to NCC and Skanska, Sweden's largest construction

Mr Bengt Madsen, chairman of Tre Byggare, said the merger reflected the collapse of the Swedish huilding industry and the weakness of Tre Bygwould double to 18 per cent, and it would get a SKr600m liquidity injection as a result of

Madsen.

which is to he renamed PEAB, plans to direct an issue of 2.5m shares to the unions, giving them a stake of around 19 per

Fokus Bank, Norway's

an improving trend among Norwegian hanks, compares with a NKr175.6m loss in the same 1992 period.

improved net interest, reduced loan losses and operating costs, and profits from securities and foreign exchange dealing.

Fokus Is more optimistic about its prospects than earlier in the year, when it was looking to get back into profit hy 1995. This follows a fall in Mr Leif Klevan, managing

director, said: "If the positive trend to the interest market continues, and we do not experience any unexpected losses, then Fokus Bank will be able to close the hooks for the year showing an important profit." The bank last made a full-year

The latest figures benefited from a NKr89.9m gain from the sale of securities, compared with a NKr9.8m loss in the same 1992 period, and higher profits from foreign exchange dealing of NKr35.1m, against NKr28.2m.

Profits surge at Argentine telecoms

By John Barham in Buenos Aires

ARGENTINA'S two privatised telephone companies, reported strong rises in sales and profits in the second quarter, confirming their ranking among Argentica's most profitable companies.

Telecom Argentina, operated hy the state telephone companies of Italy and France, reported quarterly sales up 19 per cent to \$374m. Net profit grew more slowly, rising 12 per cent to \$50.30m. In Its 1992 iinancia reported sales of \$1.20hn and net income of \$150.3m.

Telefónica de Argentina, operated by the Spanish state telephone company, saw second-quarter sales grow 12 per cent to \$140m, while net income climbed 28 per cent to \$75.50. ln 1992. Telefónica reported sales of \$1.58hn.

ÖSTERREICHISCHE POSTSPARKASSE

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Issue Price 101.875%

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ABN AMRO BANK N.V. BANCA EUROMOBILIARE

BANCO DI NAPOLI BANQUE BRUXELLES LAMBERT S.A. BAYERISCHE LANDESBANK GIROZENTRALE BNP CAPITAL MARKETS LIMITED CAROTO HOLDING SIM SPA COMMERZBANK AKTIENGESELLSCHAFT CREDITO ITALIANO DRESDNER BANK GENERALE BANK IMI BANK (LUX) S.A.

I.C.C.R.L

PARIBAS CAPITAL MARKETS

SWISS BANK CORPORATION

BANCA NAZIONALE DEL LAVORO BANKERS TRUST INTERNATIONAL PLC BANQUE GENERALE DU LUXEMBOURG S.A. BAYERISCHE VEREINSBANK AKTIENGESELLSCHAFT BREMER LANDESBANK CARIPLO S.P.A. CREDITANSTALT-BANKVEREIN **DEUTSCHE BANK AG LONDON** GEMINA EUROPE BANK S.A. GIROCREDIT BANK AKTIENGESELLSCHAFT DER SPARKASSEN ISTITUTE BANCARIO SAN PAOLO DI TERINO S.P.A. JP MORGAN SIM SPA MILAN MONTE DEI PASCHI III SIENA KREDIETBANK INTERNATIONAL GROUP

> WESTDEUTSCHE LANDESBANK GIROZENTRALE

RABOBANK NEDERLAND

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ING BANK

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Budget victory provides comfort

heaved a huge sigh of relief as the hudget deficit package squeaked through the Senate on Friday night, the nation's bond markets probably shared the sentiment. It is not as if anyone is starry-eyed about the impact of the Clinton propnsals. However, on halance, better that this package is implemented than more weeks of uncertainty.

Despite the eventual narrowness of the president's victory in Washington, bond traders had heen edging towards the assumption that the package would pass all week.

Confidence began to set in on Tuesday, with the result that the benchmark 30-year Treasury bond rose hy over half a point, pushing its yield down to 6.51 per cent, That represented the lowest closing level since the Treasury began regular auctions of the 30-year bond 16 years ago.

Even then, however, convic-

IF THE Clinton Administration hons were quickly unsettled, and some of Tuesday's early euphoria died away in the late afternoon. For the next three days, the market fluctuated apprehensively, although hy Friday evening most market participants said that passage of the bill was largely factored

into bond price levels.

The long bond itself ended the week with a yield of 6.53 per cent, down from the previous Friday's 6.56 per cent. Despite economists' dehate over the value of the Clinton proposals, the package is generally seen as hullish for bond prices. In theory, at least, higher taxes should slow the economy, while any check on the deficit implies less government borrowing, making existing bonds more valuable.

However, while the media spotlight was fixed on Capitol Hill last week, hond traders were equally interested in the release of a string of economic

came on Friday, in the form of the July jobs report, although the figures contained few surprises. Broadly speaking, the report reinforced the impressinn of an economy in modest, hut steady, expansion. Payroll employment increased 162,000. while the unemployment rate slipped from 7 to 6.8 per cent,

This was close to market

expectations, and commenta-

tors were quick to note that

the fall in the unemployment rate was helped by a decrease in the size of the labour force last month. Statistics released earlier in the week presented an equally comforting picture. Manufacturers' new orders rose 2.6 per cent last month, but much of this was transportation-related and the underlying increase in the manufacturing sector was modest. Similarly, the National

Association of Purchasing

Managers' report for July remained below the critical 50

The most important data level - rising only slightly from 48.3 in June to 49.5 last month. (Readings above 50 suggest that the manufacturing economy is expanding). Small wonder, then, that few

economists are really concerned about the impending price data, which will be unveiled this week. Thursday will see the release of the July Producer Price

Index. Most pundits are talking

of a 0.2 per cent increase in the

"core" rate, which excludes food and energy costs, On Friday, the expectation is for a similar rise in the "core" Consumer Price Index, which would match the average monthly advance notched up over the March-June period. If those predictions prove correct - and coupled with last week's unalarming johs numbers almost everyone concurs that the Fed's monetary policy will

simply stand on hold. Nikki Tait **UK GILTS**

No sign of let-up in rally

THE RISE in the gilt market UK gitts yield shows little sign of running out of steam. As investors continued to huy the securities on hopes of lower interest rates across Europe, 25-year dated gilts ended the week at their hest levels for 25 years.

The 0.25 percentage point fall in yields for longer-dated securities illustrated the perception in financial markets that, after the remodelling of the European exchange rate mecha-nism, there will be plenty of room for UK borrowing rates to ease hy the end of the year. While the September long

gilt future was on Friday night quoted at 1115, close to a record, London share prices ended the week at a new high. The FT-SE 100 index closed up 26.4 points on the day, at 2,969.8, topping the previous record close of 2,957.3.

The unusual event of the two markets being close to a peak at the same time underlines the belief that inflationary pressures are becoming less of a problem. According to this thinking, the UK government might be able to hring down hase rates from 6 per cent, without worrying that extra demand would feed into rising prices for goods and services.

Behind the events of the past week, in which medium-dated gilts have climbed nearly 2 points, is the feeling that the new 15 per cent bands in the ERM will allow large cuts in interest rates across continental Europe. Government bonds across Europe have risen as a Restated at par (%)

result, with the biggest gainers being gilts and Spanish and Italian securities.

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Non-UK institutions were big buyers of gilts last week. This was on the view that sterling was likely to gain in the short run from not being a member of the mechanism.

The lack of action by continental European governments in cutting interest rates last week was seen as nnly temporary. It was thought countries such as France, Denmark and Belgium will want to pause for hreath before easing monetary conditions and risking a further fall in their currencies.

With 10-year gilt yields finishing the week at around 7.1 per cent, and 25-year yields at 7.6 per cent, the market was barely disturbed by news of a £1.5bn gilt issue from the Bank of England. The gilts go on sale from today and comprise £1bn nf partly-paid 8.5 per cent Trea-

sury loan stock due 2007 at a price of 108.50 per cent; £100m of 7.75 per cent Treasury loan stock due 2012 to 2015; £200m of 2.5 per cent index-linked Treasury stock due 2013; and £200m of 2.5 per cent index-linked

Treasury stock maturing 2024. Some market participants have been depressed by worries about the large issues of gilts to finance the expected £50hn government deficit this financial year. However, Mr Michael Rosenberg, head of international fixed-income research at Merrill Lynch says: Concerns about hudget deficits are unlikely to have much of an effect on bond markets while inflation trends are

thought to be sound." This week a raft of data will shed more light on the degree of demand in the UK economy and consequent inflationary pressures. Figures today will indicate how much new credit consumers took nn in June, with the market believing this

will be about £170m. Concerns about the strength of the upturn are reflected in forecasts for manufacturing output, with the City expecting a month-on-month fall of 0.6 per cent in June. However, this would partly reflect a strong May figure, when output rose 1.8 per cent on the

month. The manufacturing figures will be released on Thursday, as will labour market data for June and July.

Bowthorpe seeks \$75m through US placement

By Sara Webb

BOWTHORPE, the international electronic and electrical components group, plans to raise \$75m from US institu-tions with a private placement of 10-year fixed-rate bonds,

Mr Colin McCarthy, finance director, said he felt "the timing was right to borrow US dollars long term", given that US interest rates were at their lowest levels in nearly two decades. The company expects to borrow funds at below 7 per

"We have major investments in the US so we need dollars. Mr McCarthy said, pointing out that proceeds of the bond issue would be kept in dollars.

Bowthorpe has a five-year £100m borrowing facility known as a multi-option facility, or MOF - which is approaching its maturity date and which allowed the company to borrow at 15 basis points over the London interbank offered rate (Libor). The US private placement of bonds is intended to replace this MOF financing, of which 250m was

UK companies have been flocking to the US private placement market in recent months, attracted by the availability of long-term funding at Peter Marsh relatively favourable terms.

MAKE

ITALIAN BONDS

Activity brings great expectations

ITALY'S bond dealers will be average of 1.33 per cent. wondering whether the week ahead will live up to that just passed, when investors ploughed into Italian paper to lock into relatively high yields before expected interest rate

The market had not been so active for months, with prices and volumes for 10-year futures rising particularly fast. Futures prices jumped by ahout L5 nn the week to close at about L109 on Friday. Just 11 months ago, when currencies were in turmoil and confidence lu Italy was fading, futures prices were hovering

The reasons for investors' new interest is reflected in figures from JP Morgan showing that Italy was Europe's best-performing gov-ernment bond market in July, with a return of 2.77 per cent in local currency terms - more than double the European

"Last week started with euphoria and ended little less exciting. We expect some consolidation now, but confidence in Italian bonds has clearly

been re-established," said one trader at Caboto in Milan. The market has regained much of the support lost after the lira left the exchange rate mechanism, and the pace of the political corruption scandal accelerated last year. After having ditched lira paper on the back of political uncertainty and currency risk, foreign investors are back in

Ironically, the reasons for buying lira bonds are virtually identical to those before the flotation. Then, as now, lira issues offered a substantial spread advantage over comparable German or French paper, while the outlook for inflation looked encouraging. With interest rates across Europe

expected to fall, investors wanted to guarantee their

returns. The difference now is that the lira is outside the ERM. But with the mechanism in tatters, and participating currencies observing 15-percentagepoint fluctuation hands, that is no longer so relevant. For today's investors, the markets set to gain most from the less strict ERM standards are those with higher yields, such as Italy, where interest rates have furthest to fall.

The political picture is also looking up," says Mr Sergio Siotto, of Albertini in Milan. "Last week saw approval for electoral reform, opening the way to new elections, and the Senate passed the government's broad 1994-1996 budget plans," The political news gave the markets an additional fillip, pushing prices for 10-year futures to almost L110 on

Most dealers expect a period of stability now. Few expect the Bank of Italy to cut rates before its European counterparts. And any temptation to act independently would only follow further steps on tackling the budget deficit, meaning that it will prohably have to wait until parliament returns from its summer

Some dealers warn against over-enthusiasm, bowever. "The timing of new elections and privatisations are still up in the air," says one Londonbased dealer. "Italy still has many obstacles to overcome." "The danger is the market has moved too quickly. Prices

are looking very toppy now,

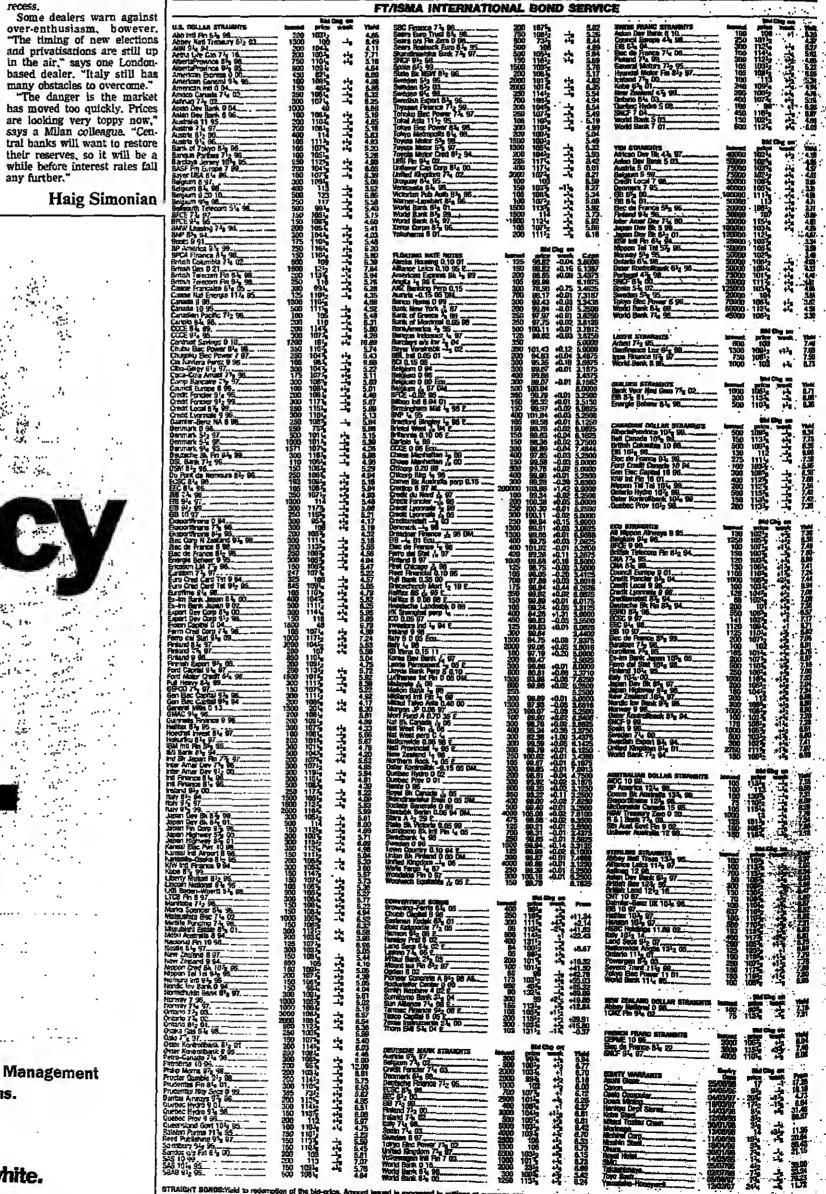
says a Milan colleague. "Cen-

tral banks will want to restore

any further. Haig Simonian

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Kemen

INTEREST rate fever swept through the European bond markets last week with the birth of a brave new world of floating exchange rates.

The decision by European Community finance ministers, taken early on August 2, to move from a fairly rigid European exchange rate mechanism based on narrow fluctuation bands to one where the finctuation bands of 15 per cent are so wide as to be irrelevant, triggered a strong rally in European bonds. This was prompted on the view that European governments would be free to kick-start their recession-hit economies by swiftly cutting domestic interest rates.

In fact, few cut rates once the shackles were removed, and those who did were far from bold. The Bundesbank surprised the markets with a 15 basis point cut in the fixed rate for 14-day repos, to 6.80 per cent, and an easing in the 28-day repo rate, to 6.70 per cent – which put the latter below the discount

rate of 6.75 per cent. Spain cut its benchmark interest rate by half a point, to 10.5 per cent, while Sweden snipped 25 basis points off its marginal lending rate, to 8.25 per cent. However, there is ample scope for European interest rates to fall further, and the bond markets have soared in response.

Even the Ecu bond market which is so sensitive to shifts in sentiment regarding the future of Europe - saw a sudden renewal of interest last week. However, while its short-term prospects maka it attractive to some investors, there is still a large question mark over

its longer term attractions. The Ecu bond market took off last week mainly because investors realised the bonds were too cheap, while providing a relatively simple means of benefiting from the potential for interest rate cuts across

"It's a cost-effective way of gaining exposure to European markets people buy it as a way of saving dealing costs," says Mr Michael Burke, economist at Citibank.

The actual yield on Ecu bonds was higher than the theoretical yield curve (calculated according to the bond yields of the Ecu's component currencies), which meent the bonds were cheap relative to the theoretical value. However, last week's rally in the

Ecu bond market pushed actual yields below theoretical yields For example, the actual yield on the 6 per cent, 10-year French Ecu bond was 6.99 per cent on Friday, or 7 basis points below its theoretical yield, while three-month UK Ecu treasury bills had an actual yield of

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Interest will be payable half-yearly on 16 January and 16 July. The first interest payment will be made as on 16 January 1994 at the rate of £2.5320 per £100 of the Loan.

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On 8 November 1993

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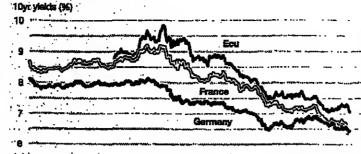
6 August 1993

The Loan will be repaid at par on 16 July 2007.

£25.00 per £100 nominal of the Loan

£48.50 per £100 nominal of the Loan

European yield spreads



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7.9 per cent, compared with a theo-

retical yield of 7.95 per cent.
"The actual yield could be as much as 20 to 30 basis points lower than the theoretical yield, and the bonds would atill represent good value because of the transaction cost-saving," says Mr Burke.

Mr Bob Tyley, head of bond analysis at Paribas Capital Markets, points out that for investors based outside Europe, the move from aemi-fixed to floating exchange rates means there is more uncertainty over which currency will do what. As a result, the basket nature of the Ecu becomes more important, given that the Ecu can be used as a

substitute means of investing in

Yet for all the short-term euphoria springing from the move to wider fluctuation bands in the ERM, there is still considerable concern over the future of the Ecu.

"The whole prospect of European monetary union is, if not dead at least on its death-bed, so it is highly unlikely that the Ecu bond market will enjoy the same attractions as It did before the first Danish referendum on the Maastricht treaty," says Mr Burke.

If there are grave doubts over whether the Ecu will become the single currency for Europe, inves-

tors and issuers may well wonder Why they should bother with a market which does not have much of a future and which could suffer from illiquidity - even if Mr John Major does try lo relaunch the plan for a hard Ecu.

Ecu bond issuance has certainly dried up since the Danes dealt a blow to hopes of European economic and monetary union last summer. Ecu bond specialists, meanwhile, admit it is hard to see why issuers should tap this market at the moment. In the past, some issues have been swap-driven, but dealers say there are few favourable swap opportunities in Ecu.

So if there is to be a fresh drive to revive the Ecu bond markel, it may well have to be politically motivated. In the past, France was one of the keenest advocates of Ecu bond issuance, and had undertaken to conduct about 15 per cent of its funding in Ecu. However, given that French government bond yields are lower than Ecu bond yields, there is no financial incentive for the French to issue Ecu-denominated debt, although those with a keen interest in the Ecu market no doubt will be watching closely to see how committed Ecu's supporters prove to be.

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Crédit Européen

Sara Webb

RISK AND REWARD

Directors' stock options packages under scrutiny



of cally, a corporate's options expo-rva- sure is far smaller, but cannot be otherwise conservative corporale hoards of directors have blundered into the derivatives arena, writing options on millions

of dollars of the corporation's own stock. Then, like the world's worst traders, the directors fatl to account for the options liability on the corporate balance sheet or take any steps to bedge the options exposure.

Shareholders, in the language of options traders, are left naked. In the trading room of an investment bank, this behaviour would be viewed as wildly speculative and irresponsible. In the corporate arena, it is an accepted, and expanding, practice.

Corporations, seeking to design executive compensation plans with built in performance motivations, routinely grant generous stock options packages. When the options are exercised, new sharas are issued, diluting shareholder equity. Mr Carl Levin, a US Democratic senator from Michigan, calls it "stealth compensation". Since US accounting rules don't require corporations to charge the options liability to earnings, many directors view options as a "free" way to boost compensation packages.

Options compensation prolifer ated during the 1980s. Many of those perks had eight to 10-year durations, and when US income tax laws changed in 1992, some highprofile executives grabbed headlines with options exercises.

Mr Michael Eisner of Disney, for one, took several hundred million dollars in gains from options exercises in December. The company issued stock to meet his call. The late Mr Steven Ross of Time-Warner was given a lucrative option on 7.2m shares of the company's stock in 1990. Analysts say they are still exercisable by Mr Ross's estate, and are now valued at more than \$50m. Smaller companies, particularly high-technology firms, may have a surprisingly large percentage of stock exposed to options compensation. Although determining options exposure from a company's annual report is difficult, an estimated 17

per cent of Compaq computer, for

example, is tied up in options. Typi-

executive options, and for proper hedging, is the perception that options have no value." Tha Federal Accounting Standards Board Is on the verge of requiring companies to reduce their reported earnings by the value of their stock options. This, many analysts fear, would remove a valuable

viewed, as it often is by corporate

Mr Graef Crystal, Emeritus Pro-

fessor at the University of Southern

California at Berkely, and an

options benefits consultant, says:

modity that is undervalued is usu-

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executive incentive tool. Options traders and institutional investors. however, believe the issue is not accounting rules, but proper management of the options position. Equity options specialists at

Swiss Bank Corp and at Salomon Brothers say that shareholder liabil-Ity to executive options could be easily managed by an offsetting call purchase. In other words, if Disney wished to grant an executive the right to buy 1m shares at \$37 each any time during the next five years, Disney, at the same time, would buy calls on its own stock from a market-making dealer for the same quantity, duration, and strike price. The offsetting calls would limit

shareholder exposure to the executive's bonus package to the cost of the options premium, should Disney's stock price rise. Dealers estimate the cost of the offsetting option, given lbe five-year life, would amount to about 25 per cent of the share price. The dealer issued calls, if exercised, are non-taxable to the corporation, reducing costs.

"Corporations have a hard time with valuing their own options, but we are willing to make a market for them anytime," one options trader

"An executive looking after his own interest will be unwilling to spend millions up-front (for a call premium] to protect shareholders from a liability that may be five or 10 years down the line, even if the options exposure could run into hundreds of millions of dollars."

Laurie Morse

NEW INTERNATIONAL BOND ISSUES

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AUGUST, 1993



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TORONTO Aug Aug Aug 1993 6 6 4 3 HIGH LOW	Allassration Con. (1/207) 1250.1 1241.5 1219.1 1222.2 1259.10 (6/8) 679.10 (28/1)
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Basse values of ell indices see 100 except NYSE AV Common - 50; Standard and Pour's - 10; and Toronto Composite and Metals - 1000, Commis ledicas begen 1975 and Monrael Portion 9-1783, † Exchalleg bonds ‡ Industrial, plus Utilities, Financial and Transportation, (c) Classet, led Unamilatie. 4 The DJ Incl. Index theoretical day's higher and lower are the astarages of the highest and lower prace readed during the day by each stock	WORLD M.S. Caoke Ind.(1/1/70) 6 583.1° 583.0 584.3 582.4 584.30 (4/8) 458.60 (13/1) Bura Top-100 (26/6/90) 1092.58 1086.77 1083.34 1096.19 1082.58 (6/8) 662.73 (13/1)
Industrial, plus (Hillies, Firencial and Transportation, ω) Closed, (ii) Unavellable. A The DJ and, index described day's higher and loves are the asertages of the highest and lovest prices reached during the day by each slock velocrast the actual day's higher and love graphed by Telectural proposets the highest and lovest values that the index has reached during the day. (The figures in brackets are provious day's). Ψ Subject to official recalculation.	Euro Top-160 (26/6/90) 1092.58 1086.77 1083.34 1096.19 1082.68 (6/8) 652.73 (13/11) **Saturday July 31. Talman Mogated Prior: 3360.38. Korea Comp Ec: 729.94. **Calculated at 1596 GAT **Calculated
	Base valors of all indices are 190 except. Austria finaled, BEL20, HEX Care, MBS Gen., CAC40, Easo Tro-100, SEO Ovecal and DAX - 1,000, SEE Gold - 255.7, SEE 25 indictivats - 254.3 and Australia All Ordinary and Mining - 500; (a) Closed, (a) Universitate
TOKYO - Most Friday, Augu	Active Stocks
Strocks Closing Change Traded Prices on day Surretorno Mil Min . 6,6m 1,010 -40	Stocks Closing Change Tracked Prices on day
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1,239,00 2,351,20 2,353,100 3 artick 2,354,00 10 Miningl 2,007,30 toebuck 1,773,30	0 30 % 0 19 % 0 41 % 0 24 % 0 24	: 1	P P	NYSE Ssues Tradeo Nises Sales Anchanged New Highs	1 :	2,580 974 873 733 99	2,579 896 1,037 843	7,562 973 920 668 118	SINGAPORE SES Al-Singapore (2:4/75 SOUTH AFFICA JSE Gold (28:9/78) JSE Industrial (28:3/78)	1814 89	470.18 1875.0	470.17 2015.0	466.19	471.84 (6/8) 2088.00 (30/7) 4719.00 (6/7)	394 10 (1 775.00 (
srick 2,394,60 2,306,00 9 Mining 2,007,30 0ebuck 1,773,36	0 41% 0 244 0 24	: 1,	F	lises Falls Anchanged		974 873 733	1,037 843	973 920 660 118	SOUTH AFRICA JSE GM (28/978)	1814 89	1875.0	2015.0	2024.0	2088.00 (30/7)	775.00 (
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inersia	Aug	Aug	Aug	Aug _		199			Marsranden Gen. (1,2/3) SWITZERLAND	1250.1	12415	1219.1	1222.2	1250.10 (6/8)	879 10 G
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Portfolio	1888.98	1886 98	1907.82	1901 08	1938.10 (2	5/6)	1720.97	(21/1)	Weighted Price (30/6/66)	4025.93	4055.52	4046.21	3949.29	5013.28 (7/4)	3085.43
d el indices are	100 exce	nt NYSE AR	Common	- 50: Stand	ard and Pon	r's - 10-	and Torse	de	Bangkok SET (30/4/75)	958.84	948.26	945 38	IC)	998.44 (25/1)	818.54
and Metals - 1000 plus Utilities, Firance and loves are the reaction during the reached during the). Toronto	indices bar ansourtable	ed 1975 :	and Montreal sed, (u) Linar	Portigio 4/	1/83. †	Excluding I	bonds ‡ netvetical	WORLD U.S. Capital Ind.(171/70) (583.1"	563.0	554.3	582.4	584.30 (4/8)	488.60 (1
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CURRENCIES, MONEY AND CAPITAL MARKETS

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FOREIGN EXCHANGE AND MONEY MARKETS

Pressure still on

with NO sign of monetary easing in continental Europe, analysis belive this week could analysis belive this week could but of water and week could be analysis belive the week could be analysis. on currencies such as the franc, the pessta and the Dan-

Towards the end of last week dealers reported that informal of cuts elsewhere in Europe. attempts by European exchange rate mechanism members to shadow their old bands were failing as all bar the D-mark lost vaine.

"If European countries do not cut rates it seems that the foreign exchange markets are going to force depreciation upon them," said Mr Michael Burke, economist at Citibank

UK clearing bank base lending rate 2 per cent from January 26, 1983

The reluctance of the French authorities to cut interest rates helped the franc recoup some of its lost ground last week. but dealers helieve the buoyancy will be short lived They suspect that the French, Danes, and Belgians

£ IN NEW YORK

0.37-0.34pm 0.37-0.34pm 0.99-0.96pm 2.99-2.50pm

STERLING INDEX

CURRENCY MOVEMENTS

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Close High Law Page 118-08 118-18 114-20 118-11 114-04 118-18 114-20 118-11 114-04 118-10 112-11 114-02 112-01 113-07 112-14 112-02 112-01 111-04 112-14 112-01 111-04 111-04 112-13 111-04 110-10 118-10 110-10 110-10 108-19 108-10 108-30 108-0 108-19 108-10 108-30 108-0 108-12 108-12 108-12 108-12 108-28 108-28 108-28 108-29

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its summer break. By then monetary authorities may have a better idea of whether another German rate cut is imminent, facilitating a round

The dollar could rise on the back of retail sales data next week, although the median forecast among analysts is for only a modest increase in July sales. But even strength of the looks sturdier than likely to be seen in Europe this yes dollar stands to be

Sterling will continue to waver expectations for a cut stand in the strong advance. suffer from wear data. Economis manufacturing Thursday to show fell in June, partly back from strong but also a reflection exports to Europe.

OTHER CURRENCIES

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Aug 6	Short	7 Days	Goe	Three	Sts. Months	One
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g terra freedolger.	_			ANK F		cast, fin year police,

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offered rates for \$10m	austed to the market by	five reference benies at	stideenth, of the bid and 11.00 s.m. each working to Bank, Banque National
de Peris and Morgan G	usuanty Trust.		

		MONE	Y RAT	ES						
NEW YORK		Treasury Billie and Sonds								
Apon Prime rades Sector based rate Fed. funds at interven	5	Three month Six month One year		1 year						
Aug 8	Overright	Orae Month	(wo Months	Three Months	Sh: Months	Lombard Intervention				
Frankfurt	10 ¹ 4-10 ³ 4 4 ³ 4-4 ³ 2 3/3-3.5 912-10 ¹ 4 11-12 6 ¹ 4-6 ¹ 4	8.80-6.70 911-10.74 474-411 914-911 1014-1014 814-63	6.55-6.65 6.13-6.3	645-655 8-81-7 41-2-47 97-91-4 61-81-4	8.30-6.45 6-61	7.75 8.75				

Aug 6	Overnight	7 days notice	One Month	Titres Months	SDz Months	Year
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Harriang CDs.	57.	53,	53	50	5)3	57
ocal Authority Occa		54	57	54	578	5,4
ocal Authority Bands	612	ર્કો	-	-	- 1	-
Nacount Mile Sept	6,5	241	-	-	- 1	-
Company Deposits			419	E27	e23	552
france House Deposits	- 1	= 1	513 513	513 53a 55e	56	3-8
pack State (Draft)	= 1	-	218	55	510	_ =
Ine Tracks Black (Burd	= 1			_	- SESS - 154-47674	
Color CDs.		_	35733	3.12	3.25	3,48
DR Linked Den, Oldar	- 1	-	4.2	43	45	41
DR Linked Dep. Birl	- 1	_ '	4.7	43	414	44
CU Unked Dec. Offer	-	-	811	763	73	8.4
CU Linked Den. Bld	-	-	8,4	45 77 72 74	724	6.4
Insurary BBs (sell); one-m BBs (sell); one-month 5% slecount 5.1738 p.c. EDO sles for parad Aug 25, 1 July 1, 1993 to July 30, seys' notice, others sever Deposit Reta for some at 7 and over baid sorder over norths 44, p.c.; plan-twe	per cent; the D Found Rate 965 to Sep 2 1993, School days' Road of the period of the p	Sterling Ext Sterling Ext 26, 1933 S co MEV: 5.0 Finance H 53 ₀ p.c.:Cer	Sig per cent cert Picance. Ichamos 5 8 109 p.c. Loca cuses Base Micabas of Ti granifis Sig	; Transcry SI Meha up de St: 7.26 p.c. ej Authority a Rate Spc are ex Deposit (Si o.c.: three-s	ts; Average to y July 30 ,18 Reference ra rd Plance H m August 1 etcs 5; Depo to countre 5 ;	SELECT THE 193 . Agr 12 for per 0uters es 1993:9 12 £100.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatiWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

ATTONAL AND			FRE	DAY AUX	UST 6 18	193				HURSON	Y AUGU	8T 5 199		DOL	LAR IND	EX
PEGIONAL MARKETS Figures in parentheses from number of lines of stock	US. Dollar Index	% chg (\$) since 31/12/92	Pound Starting ladex	Yan jades	DM Index	Local Currency index	Local % chg from 31/12/92	Gross Div. Yield	US Dollar Index	Pound Starting Index	Yen index	DM Index	Local Currency Index	1983 High	1895 Low	(abbuca ado Aes.
		+13.4	140,42	93.72	125.22	138,72	+14.6	3,62	144,63	143.82	95.31	129.07	139.97	144.63	117.39	138.3
ustralia (69)	141.68	+17.1	162.44	108,42	144.85	145.49	+23.9	1.33	163,24	182.32	107.57	145.67	145.55	184.13	131.18	145.
uszna (17)	164.13 148.57	+11.6	147.14	96.20	131,21	132.36	+21.2	4.32	146.14	145.31	96.30	130.41	130.64	158.76	131.19	147.
Selgum (42)	125.36	+8.4	124.07	82.80	110.62	117.23	+10.1	2.87	125.03	124.32	82.39	111.57	116.79	130.38	111.41	125. 238.
anada (108)	215.99	+16.0	213.77	142.68	190.62	200.35	+28.1	1.13	215.26	214.05	141.86	192.10 94.28	198.50 128.49	106.84	185,11 65,50	71.
Dentitierk (33)	108.84	+53.5	105.74	70.57	94.29	129.54	+69.5	0.84	105.65	105.05	69.82	141.76	148.40	167.36	142.72	159.
intend (23)	161,94	+10.0	160,27	106.96	142.90	150.70	+18.1	3.06	158.87	157.97	104.68		105.23	119.64	101.59	120
	119.84	+15.2	118.60	79.17	105.76	106.76	+20.7	2.01	117.92	117.25	77.72	105.23				243
2-margin (60)	295.03	+33.2	291.99	194.88	260.38	293.70	+33.4	3.23	290.82	289.18	181.64	259.54 147.96	289.51 166.64	301.61 170.40	218.82 129.28	158
tone Korki [55%	164.69	+21.3	163.00	108.79	145.35	166.95	+41.8	3.30	165.81	164.87	109.25		86.25		53.78	65.
minn(11=)	104.03	+32.4	71.90	47.99	64.11	87.12	+44.3	1.86	71.82	71.41	47.32	64.09		72.82		
Tale (70)	72.65	+50.0	155.90	104.05	139.03	104.05	+25.5	0.80	158.71	157.81	104.58	141.65	104.58	158.82	100.75	240
apan (470)	157.52	+38.6	358.62	239,34	319.77	355.93	+35.1	1.92	364.55	382.49	240.22	325.31	357.88	364.55	251.66	
	362.35	-0.3	1625.38	1084.82	1449.35	6588.72	-0.6	0.88	1641.59	1632.33	1081.78		5582.81	1725.81	1410.30	1394.
faulto (10)	642.27		170.15	113.56	151.72	149.83	+19.2	3.60	169,90	188.94	111.96	151.63	149.66	172.75	150.39	162
letherland (24)	171.92	+13.8	57.26	38.22	51.06	55.84	+26.0	3.99	57.81	57.48	38.10	61.59	55.54	57.85	40.58	45.
Zealand (13)	57.85	+34.9	162.66	108,56	145.05	164.13	+26.9	1.61	161.00	160.09	108.10	143.68	161.82	166.21	137.71	159
lorway (22)	164,35	+19.3		172,98	231.10	194.77	+20.7	1.77	262,11	260.63	172.73	233,90	194.89	263.94	207.04	200.
124)	261.86	+22.7	259.17	131,25	175.36	202.39	+28.8	2.53	204.81	203.48	134.83	182.59	205.50	215.29	144.72	211.
ingapore (38)	198,70	+34.2	196,68	80.24	107.20	128.69	+27.2	4.54	121.04	120.35	79.76	108.01	128,14	132.82	115.23	140,
South Africa (60)	121.47	+4.2	120.22	122.24	163.31	217.98	+25.9	1.55	182.29	181.26	120,13	162,68	218.78	185,04	149.70	189,
pain (43)	185.04	+11.8	183.14	86.41	115.46	121.69	+18.5	1.76	129.92	129.19	85,62	115.96	121.75	130.81	108.91	112.
Colored City	130.81	+15.8	129.47		160.18	179.65	+6.4	3.89	178.95	177.94	117,91	159.68	177.94	181.99	182.00	179.
antzerand (50)	121.51	+5.3	179.65	119.89	161.95	183.50	+3.0	2.78	183,38	182 32	120.83	163.64	183.36	186.27	175.38	170.
inited Kingdom (215)	183.50	+3.0	181.61	121.22	101.30	100.00										
SA (520)	100.00		440.00	99.40	132.81	144,54	+15.8	3.09	148.44	147.60	97.82	132.47	143.38	150.48	133.92	147.
	150.48	+10.6	148.93	114.45	152.91	179.72	+29.2	1.38	171.16	170.19	112.79	152.74	178.41	173.27	142.13	174,
ыгоре (750)	173.27	+16.8	171.48	106.40	142.15	110.94	+25.5	1.06	182.17	161.25	106.87	144.72	111,41	182.17	105.89	98.
lordic (114)	161.07	+46.8	159.41		138.20	124.76	+21.2	1.88	158.41	155.63	103.06	139.57	124.69	156,64	117,26	118.
markin filmen (714)	156.61	+30.1	154.99	103.44	158.78	178.99	+3.3	2.79	179.73	178.71	118,45	160.42	178.83	182.38	171.51	168.
Drefte (1404)	179.88	+3.2	178.03	118.94	115.64	124.03	+22.7	2.58	129.27	128.54	85.21	115.39	123.18	13T.01	112.51	127.
Anna America (020 Line	112700	+14.5	129.66	86,55		161.23	+25.7	9.05	196.79	195.68	129.70	175.64	180.84	195.79	152.70	164
The second Co. 100 Distriction	131.01	+26.2	194,50	129.83	173.45	126.75	+20.7	1.89	158.76	155.88	103.31	139.90	126,70	157.11	118.51	120
actic Ex Japan 244	196.52	+29.2	155.28	103.64	138.46	140.86	+14.1	2.05	163.24	162.31	107.58	145.69	140.92	183.44	134.22	132
Vord EL US (1651)	156.89	+19.5	161.46	107.77	143.99	143.89	+13.2	2.22	164.47	163.54	108.39	146.78	143.79	164.69	137.29	138
Varia Lr. UK (1953)	;63.14	47.0	162.96	108.77	145.32		+8.8	2.89	169.83	168.92	111.96	151.62	188.35	170.88	157.47	181.
World Ex. So. At. (2111)	:64.65	+17.9	188.92	112,75	150.65	166.89	10.0	208	100-00	100.32	111.00	131,62	100.00	170,00	137.41	101.
Yorks Ex. Japan (1701)	170.58	÷7.2			145.42	144,39	+13.3	2.22	164.64	183.71	108.50	148.93	144,32	164,91	137,32	135.
VONCE LINDER	164.77	+18.0	163.07	708.64				M	01-111			M	00 40	NO 400	0E A 10	e lada
ford Ex. Japan (1701)	- 22	intant: D	ec 31, 1	987 = 11	5.037 (US	nes Lim	ned. Gold	man, S	achs & C	io, and N	(LOCE!); latWest \$	Norma: L	Limited.	1987	(CO)	a mde
late values: Dec 31, 1986 14 45 (Pound Sterling) and Constituent changes durin	123.22	(Local)	copyrigh	([36 FE	n: Linbis	Spain). N	lama che	nge: Eve	red Baro	ion to Be	don (U.K	.).				
14 45 (Pound Sterang) and		eek craf	ng 6/8/9	2: Delegik												
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Music to Grumpy's ears

Sumner Redstone, owner of Viacom and MTV, talks to Raymond Snoddy

umner Redstone's five grandchildren always call him Grumpy. He picked the nickname himself because, although he is 70 and looks like a wise and kindly old grandfather, he did not want to sound like one.

How Redstone gets on with his grandchildren is of more than passing interest outside his family because his business is built around communicating with young people. The grand-children also act as critics for some of the products he offers in the US and, increasingly, the world.

Redstone owns and runs Viacom, the fast-expanding media group which controls television channels including MTV. the international purveyor of pop and video culture, and Nickelodeon, the successful US children's channel which will be launched in the UK next month as part of British Sky Broadcasting's new subscription package of 14 channels.

This husiness has given Redstone persocal wealth estlmated at more than \$3hn, the majority accrued over the past few years when most men would already have retired. Until be was 64, and before he bought Viacom in 1987, Sumner Redstone was worth merely a few bundred million

"Viacom has been the most exciting, fun experience of my life. I work with everyone. I'm involved with everyone," says Redstone, who could be a surrogate grandfather for many of his staff, whose average age

Vlacom's interests range from cable television systems in west and mid-west America to five television stations and 14 radio stations. The programme channels are at the heart of the husiness: MTV is available in more than 200m homes, including in Europe and Asia, and MTV Latin America in Spanish will he launched on October 1.

There is also VH-1, a music channel for 25- to 49-year-olds. and Nick At Nite, general entertainment for young adulis, which takes over from Nickelodeon in the evening hoth are coming to the UK next year as part of the Sky package. In addition, Viacom owns two subscription film channels and syndication rights to comedies such as The Croshy Show and Roseanne.

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job," says Mr Ferdinand Piech.

may not be much of a diplo-mat, but as a visionary be is

worth a hearing. It is readily acknowledged that much of

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But is Mr Piech overdoing

things? His colleagues in

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March when he recruited Mr

José Ignacio López de Arrior-túa, General Motors' star pro-

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riors". They were shocked

when CM was forced to use the

courts to stop bis attempt to lure another 40 from the buy-

ing department at Adam Opel.

hv what followed. GM's espio-

nage charges were stunning in

themselves, and Mr Piech's

more recent nationalistic war

declarations and charges that

the course of justice deeply dis-

turbed the political and indus-

But the smoke and noise

ground level, where Mr López's

warriors are hludgeoning price

cuts out of VW suppliers. Late

last week, the VDMA engineer-

ing and plant makers' associa-

tion begged for mercy and a

And they were struck dumb

the GM German subsidiary.

The Volkswagen chairman

"This is essentially a software-driven company," says drive [the programmes] to every place in the world and to every new application."

His goal is not solely to make as much money as possihle. An old-fashioned Boston liberal, he says be is aware of the responsibilities of being involved in the creation of an international youth culture.

Redstone encourages certain limits on what is permissible. For example, MTV rejected Madonna's latest, erotic pop videos on grounds of taste, in the face of considerable criticism about censorship as well as potential financial loss.

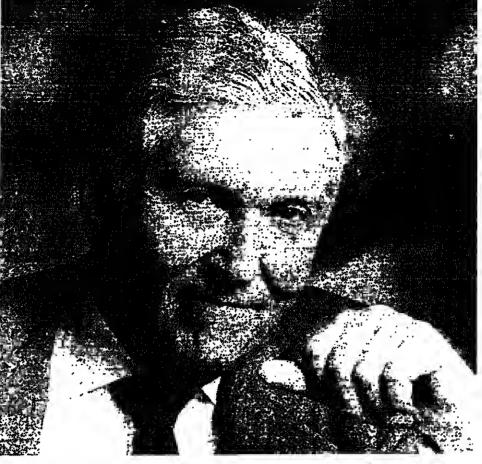
The channel may still be 85 per cent music, but it is also starting to do other things. For instance, MTV covered the US presidential campaign and interviewed Bill Clinton on his way to the White House. At the MTV Inaugural Ball, President Clinton acknowledged that MTV had "a lot to do with his victory" by persuading bun-dreds of thousands of new voters to register.

The programme Fifteen on Nickelodeon, aimed at the high-school audience in the US, deals with difficult issues such as drugs and sex. As part of Nickelodeon's Aids coverage, a condom was shown in a programme for young children, "l was crying. I literally was crying as I watched that programme. I felt so proud. That would never have appeared on public broadcasting," says Red-

Economics and idealism, Redstone Insists, go together. He has a vision of an international children's channel, created with local partners - "a chance of nn International lohhy for the kind of world we want to live in". But he talks about money with equal fluency and enthusiasm. The Viacom chairman is

excited that, in the wake of his leveraged \$3.4hn purchase of of bank borrowing has fallen substantially. He also points out Vlacom's senior deht was upgraded last year by Standard & Poor's, the credit rating agency, to investment grade, and this year \$100m will go to the hottom line from interest savings, owing to the reduction in deht levels.

Last year Viacom had net earnings of \$49m, compared with a net loss of \$50m the previous year, hoosted hy strong performances by MTV networks and from the compa-



'I was able to begin a whole new life'

ny's cahle television division. Last month, it reported operating profits of \$107m for the second quarter, an increase of 11 per cent over the same period

Redstone's present media success is a long way from the start of his life, as a justice department lawyer. Lawyers, he believes, are "the worst dis-sipators of human and economic resources 1 know".

PERSONAL FILE

1923 Born Boston, 1944 Graduated in law from Harvard in 21/2 years to work on breaking Japanese military codes. 1948-51 Special assistant to US

attorney general. 1967- President and chief executive, National Amuse-

1987- Chairman, Viacom Inter-national and Viacom Inc.

He moved across to husiness and, with his father, Michael, helped to develop drive-in cinemas in the 1950s, and later hecame a pioneer of multiscreen cinemas. He still owns National Amusements, which has more than 800 screens in the US and the UK,owns the name Multiplex, and is president of the Theatre Owners

In 1979, Redstone's life was settled and seemingly secure. All that changed one night in a Boston hotel fire.

"It's impossible to explain how bad it was. I was covered in flames," he says. He managed to climh out of his thirdfloor window and hang on to to run Viacom. the window ledge hy his fingertips until help arrived.

At first he was not expected to survive. Then he was told he would not he able to walk, But after 60 bours of skin grafts and a lot of determination. Redstone is now a regular tennis player again.

"I bave no nightmares about it. What makes me feel very happy is that all of this at Viacom came after the fire so 1 was able to begin a whole new life," he says. The new business career

began almost by accident, when he started taking stock positions in Hollywood companies ranging from Columbia to MGN Home Entertainment. His knowledge of how their products - the movies - were faring at the box office gave him an edge. Redstone bought a few thou-

sand shares in Viacom in 1985 in the hope of selling them at a profit. He started asking questions about Viacom, and the answers made him consider a more serious role in the com-pany. "It was the flip side of motion picture exhibition," he says. Cinema exhibition was a mature husiness, hut Viacom was in the vanguard of its most dangerous rival - home entertainment.

In his 60s, Redstone mounted his first hig hostile takeover in competition with a Viacom management huy-out team. "We had to B-O-R-R-O-W (spelling it out for emphasis1 \$500m in connection with this company. At National Amusements if we horrowed \$10m or \$15m, that was a major event.

He lured away the highly regarded Frank Blondi - former head of the Home Box Office pay TV movie channel and chairman of the Coca-Cola Television production company - in a multi-million dollar deal One of the strengths of the

Redstone-Biondi team is in assessing the new opportunities technology is creating for programme distribution, and the growing links between telephone and cable companies.

How not to give a moral lead

ince it still claims a universal mission. there is no presumption in a non-Catholic writing about the affairs of the Roman Catholic Church.

Indeed, for a lay Anglican, I have got to know recent Popes unusually well. Not that I have ever met one. But it was once my lot to read the tomes of papal encyclicals issued over the past century, and they cast a crual light on Rome's renewed crusade against birth control and internal dissent.

The toil was not, alas, a course of instruction on the meaning and sanctity of life. It was an attempt to get to grips with the mercurial concept of subsidiarity, an idea made flesh in successive encyclicals since Leo XIII's Rerum Novarum (1891), including Paul VI's controversial Humanae Vitae

Subsidiarity, remember, was a cornerstone of the Maastricht treaty. As the rest of the temple crashes to the ground, i still stands as Jacques Delors'e Vatican-inspired solution to the challenge of huilding a European state without destroying its peoples' way of life.
The ideas behind subsid-

iarity are simple. Leave unto God what is God's, and within Caesar's realm, pass power down as far as possible, preferably to local communities and families, the building blocks of society.

Viacom recently linked up

with American Telephone and

Telegraph to test everything from video-on-demand televi-

sion services and multi-player

games to home shopping at the

Viacom cahle system in Castro

All the new technical oppor-tunities could provide new out-

lets for Viacom programmes.

Referring to his cinema experi-

ence, Redstone argues: "If the

motion picture worked, the

theatres worked. It's the same

with the [television] pro-

He has no intention of easing

up, and he says another hig

acquisition, perhaps of a Holly-

wood studio, has not been

He is still having difficulty

coming to terms with one

aspect of Viacom - MTV music: "It's not exactly my

demographic. I enjoy the danc-

ing, the excitement, the sensu-

ality, but I still like Benny

Goodman, Arty Shaw, Tommy

Dorsey.

Valley, California.

The problem, of course, is to decide what rightly belongs to the Almighty and what to Caesar, and then to find a formula for determining who should decide those matters which are left to the state. The nearest the Vatican has

come to tackling that is Quadragesimo Anno, Pius XI's riposte to Mussolini's ambitions to nationalise church activity. Governments, warned Pius, would "carry out with greater freedom, power and success the tasks belonging to them alone" if they left matters of lesser importance "to smaller groups". Those in charge should know when to desist, and ought to be solicitous of the views and circumstances of "lower societies".

Now, as anyone who has ever watched or participated in the political game ought to know, this is pie in the sky. Without formal checks and balances, achieved through blood or sweat (and usually both), virtually no society in history has for any long period secured rulers obedient to such pre-

Veritatis Splendor, the draft encyclical awaiting the present Pope's signature. For the most striking thing about the modern papacy - forget Galileo - is its contempt for its own pre-

Consider Rome's attitude to the "lower societies" in its own communion. Back at the first Vatican Council of 1870, when

Pope John Paul II's

draft encyclical allows no role for the individual conscience, argues **Andrew Adonis**

the principle of papal infallibillty was codified, the Church as a whole was pronounced infal-lible, and the Pope was enjoined to consult the brethren before exerting authority. What process of consultation

has there ever been on the question of hirth control? Before Humanae Vitae a papal commission was established to investigate and solicit views on the issue. A majority of the commission apparently recom-mended a relaxation of Catholic teaching on the issue, but Paul VI insisted on a blanket ban on "any action which either before, or at the moment of, or after sexual intercourse, is specifically intended to pre-

This time round, there has not even been a commission. There have been "consultations" with bishops' conferences and interested parties hut if the published drafts of Veritatis Splendor are remotely accurate, the Church in western Europe and North America was given the deaf ear.

Paul II feel it necessary to die tate to the "lower societies" the issue at all? If subsidiari means anything within th not critical to faith the Po-Secut of U should refrain from imposing his will and allow the Chamb on the ground to apply in one Christian conscience to the moral and social problems besetting its members.

John Paul's response accepting to the published draft, is

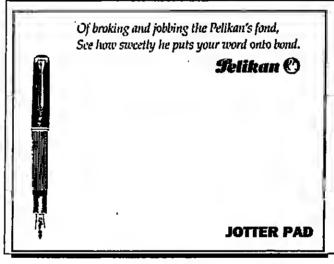
glens to k

highly convoluted, but it seems to run like this. The Grach's moral teachings "while they the assent to faith, nevertheless enlarge it. The manual law from which they are and only the Pope is capable of expounding its "hinding nature". And once expounded the faithful have no choice but to obey since obedience to the natural law is "necessary for salvation" and "dissent stands in opposition to the unity of the Church".

In other words, there is no role for individuals and "lower societies" to apply their con-science to any moral question once the Pope has expounded the natural law - law which by its nature, is not written down definitively anywhere save in past papal prenounce the conscience of Christians previous generations applied to their circumstances.
So much for subsidiarity

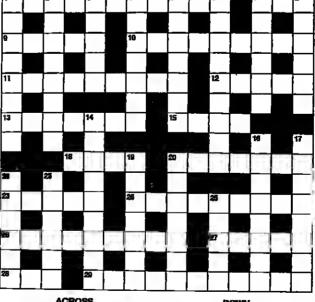
The net effect in the west of course, will be further to undermine Catholic teach and to leave in a moral qua there is any role for individu

The tragedy is the damage John Paul II will do to the unit notion-of moral and spring leadership. For at last, the di eral conceit that we always know what is best for us is biting the dust. But as a community in search of a credible moral lead, where do we look? Certainly not to a papacy which rejects outright New "conscience is the first of all the vicars of Christ".



CROSSWORD

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ACROSS 1 Riverside tale may be given

credit (4.7) 7 Footnote I add to a letter from Greece (3)

10 They give the running order, 11 Battering damages sideboard 12 Mooey raised by word of mouth (5)

13 Moving in range (7)

15 One after another (4)
18 Spring is something one may associate with flowers (4)
20 Meeting that has no standing? 23 Turn to her or someone else

24 One who may be troubled with heat burns? (9) 26 Upholstery material that is barsh or rough (9) 27 Sensalional piece of luck get-

ting free (5) 28 One who fishes for perch (3)
29 But a blunt question may
22 Given support or cast out (6) incur lt (5.6)

I Personal column (8) 8 He'd follow the account with a pained expres 4 Strange craving for a piece of sculpture (7)

5 Pawnbroker takes articla that's dirty (7) They come to terms with cakes and sweets (4-5)
7 A drink at the station? (6)
8 Where such dealers may end

up? (6) 14 They're denied freedom to express their political views 16 Recall having a tie (8)

17 I'd return to root out a 19 Mother hides a mark with cosmetics (7)

20 Hot spot turns out to upset father (7) 21 Tom goes up to her, naturally

25 Freestyle wrestling can leave one so exhausted (3.2)

The solutinn to last Saturday's prize puzzle will be publish with names of winners on Saturday August 21.

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return to "civilised" ways of doing husiness Large industrial customers -

VW versus the old school

especially the motor industry were using "extortion" and "extreme aggression", it said. Parts buyers demanded to be given foundry moulds and construction drawings, saying continuity of supply had to be ensured should the suppliers go hust. Such bully-boy tactics were

previously unknown in the cooperative, consensus-oriented world of German commerce. Still, no one - least of all General Motors - can deny the efficacy of the Lopez slimming cure. It made Adam Opel, GM's

most profitable carmaker in Calling a meeting could deny VW its clamour for in the holiday be was based there in the period showed 1980s. And last that pressure was sensus - the week the US parent surmounting the prised

world with a \$889m second-quarter net profit compared with a \$703m loss a year earlier.

Most striking of all was the fall in the deficit in the core north American husiness, from \$761m to \$95m - all attributed to cost-savings. Mr López and his warriors had been at work in Detroit for just 10 months when they left in March.

GM had conspired to pervert Success at Opel, however, came when the German economy was expanding. And from these fronts have tended results in the US were to obscure another conflict at vaunted "social economy".

achieved in a no-holds-harred free market that is far more flexible, far more used to implementing harsh hire-andfire policies, than Germany's

It is clear from the German

claims that other companies are now following the López example - put brutally, kicking the man on the next rung down the ladder. Instead of calm consensus, there is a growing atmosphere of every man for himself.

Boscb, however, the country's mightiest car parts supplier and a company of the old, more courteous school. believes it can stand above the fray. It says it will follow its own cost-reduction plans at its own pace, and refuse to bow to unreasonable demands.

The company's executives suggest privately that an German subsidiary, into the organised front among lesser pound after pound of flesh. Is a new con-

> rest against VW possible? The absence of public backing for VW's policies and tactics from industry or the political establishment although both are anxious for a lasting cure to Germany's economic llls - suggests VW is

moving out on a limh. An extraordinary meeting of the company's supervisory board, called unexpectedly on Friday, resulted in an extraordinary display of confidence in the effectiveness and hooesty of VW's dream team. But the fact that it was called at all. when most of Germany was away oo holiday, demonstrated mounting pressure.

Even if Mr Piech pulls off his ambition of returning VW to break-even this year and profit thereafter, it is likely to be

engineering association's partly at the expense of the components industry. All native German automotive companies' basic strate-

gies depend on increased pur-

chasing of parts from abroad and on moving vehicle production closer to markets and into lower-cost production zones outside Germany. Most, Volkswagen included. see this as the best long-term

solution to their difficulties. But VW, the country's biggest carmaker and by definition its biggest components user, by aggressively pursuing its own mmediate aims, could damage the close-knit network of component suppliers and the colbetween German carmakers. In the longer term this could which the whole industry relies to sustain its long-term

metamorphosis. Mr Piech explains bis ardour with claims that the German industry has only two years the time before Japan's current voluntary quotas expire - to match up to its arcb-competitors' cost structures. But even be accepts be cannot come within striking distance in less

than three years. Mr Piecb is making a bold gamble. That his more tradi-tionally minded, long-termist colleagues at Mercedes-Benz. BMW and elsewhere have not thrown their weight hehind him suggests they still need to be persuaded he is oo to a winner. The legal threais confronting Mr Lôpez, on whom the VW chairman has staked his reputation, do not improve his

chances of success.

Christopher Parkes